

**FCO 7/1461**

**Andean group in Latin America  
(1970)**

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FILE No. **AL 6/10** (Part )

TITLE: **ANDEAN GROUP IN LATIN AMERICA**

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Mr. Brone	4	16/3	M. Hanna		7/5	R		29/1/70
Mr. Bedford		20/3	Mr. MacCall		9/11	MR. Hanna	(22)	29/1/70
E.P.D.		22/3	Economist		9/15	MR. Hanna	(23)	7/1
Mr. Brown		20/3	80 DSU		15/9/70	R		32/33
Mr. Brown		23/3	Mr. Hanna	(14)	20/9/70	RH		
Mr. Brown		23/3	R		24/9/70			
Mr. Hanna		20/4	MR. Donald P.P.D.		24/9/70			
Mr. Hanna	5	14/5	Mr. Hanna		28/9/70			
Mr. Brone		26/5	Mr. Hanna		28/9/70			
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Mr. Hanna	(8)	12/6	Mr. Hanna		29/9/70			
Mr. Hanna	8	10/10	Mr. Hanna		29/9/70			
Mr. Brone		15/6	Mr. Hanna		4/11/70			
Mr. Turner	8	16/6	MR. Hanna		15.19.			
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FILE No. **AL 6/10**





Commercial Secretariat

BRITISH EMBASSY

Edificio Pacifico, Plaza Washington, Casilla 854, LIMA, Peru

Cable Address: Commintell Lima Telex: LA 5230

Tel. No: 83830

- 1. Mr. Roberts
  - 2. Encl.
  - 3. Mr. [unclear]
  - 4. Mr. [unclear]
  - 5. Mr. [unclear]
- (36)  
Kw  
5/1

RECEIVED IN  
REGISTRY NO. 18  
-6 JAN 1971  
AL 6/10

ECO 6/2

C D Wiggin Esq  
American Department  
Foreign and Commonwealth Office  
London SW1

Lima 30 December 1970

Dear Wiggin,

RELATIONS WITH ANDEAN GROUP

Please refer to your letter AL 6/10 of 10 November to the Ambassador agreeing to an informal liaison arrangement with the Andean Group. We subsequently sent an official Note to the Andean Group proposing such an arrangement (copy enclosed to you only) and have now received the enclosed reply from the Junta, expressing "great satisfaction" at the proposal.

Yours sincerely,  
*[Signature]*

(J G MacDonald)

ENC 2

cc. to:  
Chanceries:  
Washington  
Santiago  
La Paz  
Quito  
Bogotá  
Caracas  
Montevideo  
M.C. Camell Esq. DTI

LAST PAPER

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NOTE No.1.

Her Britannic Majesty's Embassy in Lima present their compliments to the Junta del Acuerdo de Cartagena and have the honour, under instructions, to enquire whether the Junta would be willing to institute an informal liaison arrangement with the Embassy.

The Embassy understand that the Junta already has such an arrangement with a number of other Diplomatic Missions in Lima, whereby the Missions receive documents issued by the Junta and maintain general contact with the Junta and its Secretariat. Her Majesty's Embassy would be glad to enter into an arrangement on the same lines as these already existing ones, which they believe could prove of mutual advantage to both sides.

Her Majesty's Embassy avail themselves of this opportunity to renew to the Junta del Acuerdo de Cartagena the assurance of their highest consideration.

BRITISH EMBASSY

LIMA

2nd December, 1970.

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*Ver Andam (file e nota)*

*[4/C] 0.0*

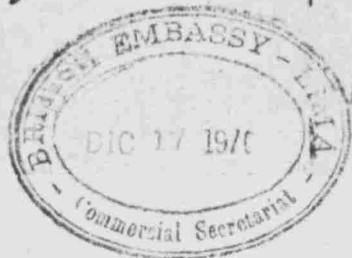
*Hon. (H. P.) CS 1971 (a brief note to F.C.O?)*



ACUERDO DE CARTAGENA

JUNTA

*M. Nixon for further action*



*17/11*

J/CD-057

*Hon 29.12*

Lima, 9 de diciembre de 1970

La Junta del Acuerdo de Cartagena saluda muy atentamente a la honorable Embajada de su Majestad Británica en Lima y tiene el honor de avisarle recibo de su nota N° 1 en que, por instrucciones de su gobierno, inquires si la Junta estaría dispuesta a instituir una vinculación informal con la Embajada.

La Junta se complace en informar a la Embajada que, en efecto, algunas misiones diplomáticas acreditadas en Lima han sido aceptadas como observadoras ante la Junta en las condiciones indicadas en la mencionada nota N° 1. En consecuencia la Junta no tiene inconveniente sino, por el contrario mucha satisfacción en celebrar un arreglo semejante con la Embajada de su Majestad, en la seguridad de que de esta manera se establecerá relaciones mutuamente provechosas entre una y otra.

La Junta del Acuerdo de Cartagena se vale de la ocasión para expresar a la Embajada de su Majestad Británica las seguridades de su más alta y distinguida consideración.

A la Honorable Embajada de su Majestad Británica en Lima

*[Handwritten signature]*

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4 JAN 1971  
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TO ROUTINE FCO TELNO 426 OF 31 DECEMBER REPEATED FOR INFORMATION  
TO QUITO SANTIAGO WASHINGTON CRED ECGD TREASURY AND BANK  
OF ENGLAND AND SAVING TO BOGOTA AND LA PAZ

4x

MIPT: ANDEAN PACT MEETING

MEETING WAS LENGTHY AND DIFFICULT AND COLOMBIANS AND ECUADORIANS  
IN PARTICULAR HAD CONSIDERABLE RESERVATIONS ABOUT COST OF  
PURCHASING FOREIGN HOLDINGS AND EFFECT ON AVAILABILITY  
OF FOREIGN CAPITAL FOR FUTURE INVESTMENTS. THESE VIEWS  
WERE SHARED BY SOME OF MORE MODERATE MEMBERS OF SECRETARIAT  
AND APPARENTLY OF BOLIVIAN DELEGATION BUT ALL WERE ANXIOUS TO  
AVOID CONFRONTATION WHICH MIGHT LEAD TO TOTAL BREAKDOWN.

2. AGREEMENT IS Milder THAN WAS PESSIMISTICALLY FORECAST, LARGELY  
OWING TO LENGTH OF TIME-LIMITS, AND THE PARTICULARLY THORNY  
PROBLEM OF FINANCIAL INSTITUTIONS HAS BEEN STOOD OVER UNTIL  
A LATER MEETING. IMPRESSION WAS GAINED THAT LARGEST  
PROPORTION OF FOREIGN INTEREST LIES IN SECTOR COVERED BY 2(IX)  
RATHER THAN STRAIGHT FORWARD INDUSTRIAL MANUFACTURING COMPANIES (2(I))  
NO DETAILS ARE AVAILABLE OF BREAKDOWN OF FOREIGN INVESTMENTS  
IN THESE CATEGORIES. UNDERSTAND THAT COLOMBIANS STOOD FIRM  
FOR TREATING THIS SECTOR MORE FAVOURABLY THAN THE INDUSTRIAL SECTOR.  
HAVE NO INFORMATION ON REASONS NOR ON POSITION OF OTHER  
MEMBERS. EVEN IF COLOMBIANS WITHDRAW FROM PRESENT POSITION  
IT IS NOW CONSIDERED UNLIKELY THAT THIS SECTOR WILL BE TREATED ANY  
LESS FAVOURABLY THAN THE INDUSTRIAL SECTOR AND COULD,  
CONCEIVABLY, BE TREATED BETTER.

3. SECRETARY GENERAL EMPHASISES THAT AGREEMENT WAS MINIMUM SET  
OF REGULATIONS FOR TREATMENT OF FOREIGN CAPITAL IN THE  
REGION AND THAT INDIVIDUAL MEMBERS WERE AT LIBERTY TO  
IMPOSE FURTHER CONDITIONS. PERUVIANS WERE APPARENTLY DISAPPOINTED  
THAT THEIR MORE EXIGENT DRAFT WAS NOT ACCEPTED IN FULL.  
SECRETARY GENERAL'S STATEMENT HAS SAVED THEM FROM AWKWARD

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*[Handwritten signature]*  
p-u

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POSITION AS THEY HAVE ALREADY ADVANCED BEYOND PACT AGREEMENT  
 IN SOME INSTANCES. IT IS STILL TOO EARLY TO JUDGE WHETHER  
 THEY WILL TAKE ANY FURTHER STEPS BEYOND MINIMUM STANDARDS.  
 IT IS UNLIKELY THAT AT LEAST IN THE NEAR FUTURE THEY WILL REPEAL  
 ANY LEGISLATION TO BRING THEMSELVES BACK INTO LINE.  
 4. DISCUSSIONS ARE STILL CONTINUING ON COMMON EXTERNAL TARIFF  
 AND OTHER ITEMS.

FCO PSE PASS WASHINGTON , QUITO, SANTIAGO, CRED ECGD TREASURY AND  
 BANK OF ENGLAND.

MORGAN

[REPEATED AS REQUESTED TO WASHINGTON QUITO AND SANTIAGO]

[COPIES SENT TO CRED ECGD AND TREASURY  
 (INCLUDING COPIES FOR BANK OF ENGLAND)]

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EN CLAIR

LIM TO FOREIGN AND COMMONWEALTH OFFICE

TELNO 425 31 DECEMBER 1970

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ADDRESSED TO FCO TELNO 425 OF 31 DECEMBER REPEATED FOR INFORMATION TO QUITO SANTIAGO WASHINGTON CRED ECGD TREASURY AND BANK OF ENGLAND AND SAVING TO BOGOTA AND LA PAZ ANDEAN PACT MEETING.

AFTER SEVERAL DAYS DELIBERATIONS ENDING IN FINAL ALL NIGHT SESSION AGREEMENT WAS REACHED ON 24 DECEMBER ON THE TREATMENT OF FOREIGN FIRMS IN THE PACT COUNTRIES. THE AGREEMENT REQUIRES RATIFICATION BY RESPECTIVE GOVERNMENTS BUT IS SCHEDULED TO COME INTO FORCE WITHIN SIX MONTHS.

2. SALIENT POINTS ARE :

1) FIRMS IN EXISTENCE ON 3 DECEMBER 1970 ARE OBLIGED TO SELL 51 PERCENT OF THEIR SHARES OVER PERIOD NOT EXCEEDING 15 YEARS IN CASE OF CHILE , COLOMBIA AND PERU AND 20 YEARS FOR BOLIVIA AND ECUADOR TO NATIONAL INVESTORS. LATTER ARE DEEMED TO INCLUDE INVESTORS OF OTHER PACT COUNTRIES OR THE ANDEAN DEVELOPMENT CORPORATION. BASE LINE FOR CALCULATING 15/20 YEAR TIMESCALE IS JULY 1974.

2. NEW FIRMS INAUGURATED AFTER 1 JANUARY 1971 ARE REQUIRED TO SELL 51 PERCENT OF THEIR CAPITAL ON SAME TIME SCALE AS ABOVE BUT CALCULATED FROM DATED THEY START PRODUCTION.

13)

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3) EXISTING COMPANIES IN CHILE, COLOMBIA AND PERU MUST SELL 15 PERCENT OF SHARES BY END OF 3 YEARS AND 45 PERCENT BY END OF 10 YEARS. FOR BOLIVIA AND ECUADOR THE FIGURES ARE 5 PERCENT OVER 3 YEARS, 10 PERCENT IN 7 YEARS AND 35 PERCENT AT END OF 15 YEARS.

4) COMPANIES WILL HAVE FREE ACCESS TO INTERNAL CREDIT SOURCES: VALUE OF TECHNOLOGICAL PROCESSES CAN COUNT AS PART CAPITAL: ROYALTY PAYMENTS MAY BE OFFSET AGAINST TAXES.

5) IN CASE OF EXPLORATION AND EXPLOITATION OF PETROLEUM AND NATURAL GAS RESOURCES THE PARTICIPATION OF FOREIGN CAPITAL WILL BE AUTHORIZED PREFERABLY IN THE FORM OF ASSOCIATION WITH STATE ENTERPRISES OF THE HOST COUNTRY. MANAGEMENT WILL BE BY JOINT EQUAL COMMITTEE WHOSE TERM WILL NOT EXCEED 20 YEARS. AFTER PAYMENT OF ROYALTIES THE STATE WILL RECEIVE NOT LESS THAN 50 PERCENT OF PROFITS AND WHEN THE FIELDS REVERT TO THE STATE THE FOREIGN COMPANY WILL ASSURE THE CONSERVATION OF INSTALLATION AND EQUIPMENT.

6) FOREIGN FIRMS ARE PROHIBITED FROM ENTERING ACTIVITIES WHICH ARE ALREADY ADEQUATELY SERVICED BY EXISTING FIRMS OR FROM ACQUIRING NATIONAL COMPANIES.

7) THE TREND FOR PUBLIC UTILITIES TO PASS TO STATE CONTROL MUST BE MAINTAINED.

8) BANKS, FINANCIAL INSTITUTIONS AND INSURANCE COMPANIES WILL CEASE TO ACCEPT FUNDS FOR CURRENT ACCOUNTS, SAVINGS ACCOUNTS AND TERM DEPOSITS WITHIN A PERIOD WHICH HAS STILL TO BE DECIDED.

IN ORDER TO CONTINUE RECEIVING SUCH FUNDS THEY MUST SELL A PERCENTAGE AS YET UNDETERMINED, OF THEIR SHARE TO LOCAL INVESTORS.

9) FOREIGN COMPANIES OPERATING IN THE FOLLOWING SECTORS: TRANSPORT, OIL AND GAS TRANSMISSIONS, PUBLICITY, RADIO AND TELEVISION STATIONS, NEWSPAPERS, PERIODICALS AND THE INTERNAL MARKETING OF ANY

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LIMA TELEGRAM NO.425 TO FCO.

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PRODUCT, MUST SELL A PERCENTAGE, AS YET UNDETERMINED, OF THEIR SHARES TO NATIONAL INVESTORS IN A PERIOD AS YET TO BE AGREED.

10) FOREIGN COMPANIES WILL BE ALLOWED TO RE EXPORT THEIR CAPITAL AND THEIR REINVESTED CAPITAL WHEN THEY SELL SHARES TO LOCAL INVESTORS. PROFITS REMITTANCES, LIMITED TO 14 PERCENT PER ANNUM, AND ROYALTY PAYMENTS WILL BE PERMITTED THROUGH THE OFFICIAL EXCHANGE MARKET.

11) INTEREST AND AMORTIZATION PAYMENTS WILL BE AUTHORISED FOR EXTERNAL LOANS WHICH HAVE BEEN APPROVED AND REGISTERED BY THE COMPETENT AUTHORITIES. A DOUBLE TAXATION AGREEMENT BETWEEN MEMBERS OF THE PACT IS TO BE DRAWN UP IN 1971.

12) EXPROPRIATION IS ONLY TO BE CARRIED OUT IN CASES OF NATIONAL INTEREST AND ON PAYMENT OF ADEQUATE COMPENSATION IN ACCORDANCE WITH THE LAWS ESTABLISHED IN THE HOST COUNTRY,

13) REINVESTMENT OF PROFITS MUST BE NEGOTIATED AND WILL BE TREATED AS NEW INVESTMENT. ALL TECHNOLOGY CONTRACTS MUST BE APPROVED BY THE COMPETENT AUTHORITY.

3. SEE M.I.F.T.

FCO PSE PASS TO WASHINGTON CRED ECGD TREASURY AND BANK

OF ENGLAND.  
MR. MORGAN

[REPEATED AS REQUESTED]

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Foreign and Commonwealth Office  
London S.W.1

29 December, 1970

J. G. Macdonald, Esq., M.B.E.,  
British Embassy,  
LIMA.

OVERSEAS INVESTMENT

I enclose a copy of a self-explanatory article from a recent issue of 'The Financial Times', and should be grateful if you could send me an account of the decisions on overseas investment reached by the Andean Pact countries at their recent meeting in Lima.

2. I am sending a copy of this letter and enclosure to Radford at the Overseas Development Administration.

J. W. R. Shakespeare  
Financial Policy and Aid Department

*and*  
*p. 4*

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MF

Ms. Faulkner

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FINANCIAL TIMES

Cutting dated 16 DEC 1970 ..... 19

**Andean Pact  
dilemma over  
foreign capital**

By Colin Harding

LIMA, Dec. 15.

THE question of how to treat foreign capital is the most important of a number of difficult decisions which the Andean Pact countries — Chile, Colombia, Peru, Bolivia and Ecuador—are due to take in the course of sessions beginning in Lima to-day. This could be their last chance to meet end of the year deadlines.

Each member state welcomes foreign capital but whereas the strongly nationalistic governments of Chile, Peru and Bolivia are committed to imposing heavy restrictions on its activities, Colombia and Ecuador are in favour of continuing the more traditional liberal treatment of foreign investments.

In behind the scenes negotiations since the last meeting in November which ended in deadlock the Colombians have apparently come to accept the principle that foreign companies should gradually revert to local ownership over a number of years but they will almost certainly hold out for a longer period—probably 20 years—than the 10 years suggested by the junta (the agreement's secretariat which prepares policy proposals).

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V - LATIN AMERICA AND OTHER COUNTRIES

11.00 GMT 24.12.70 - 11.00 GMT 28.12.70

**Andean Pact's Ban on Foreign Investment** On 24th December Havana radio reported that the five nations of the Andean Pact - Colombia, Ecuador, Peru, Bolivia and Chile - had decided to establish a common system for dealing with foreign capital: they agreed to ban foreign investment in banking, insurance, electricity and telecommunications. A Tass report on 25th December said that the agreement provided, amongst other things, for all foreign companies in the signatory countries to be turned gradually into joint concerns, with steadily increasing participation by local citizens in their management; there would be a limitation on the remittance of profits abroad.

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(31)

Mr. Ling, (American Department)

Mr. Coburn call for X please

Mr. Austin, (American Department)

Mr. Hoffmann

Mr. MacGillivray's Note on Visit to Latin America

I have discussed with Mr. MacGillivray the references to Chile in paragraph 3, noting that there appears to be a difference in emphasis on current U.S. attitudes to Chile from recent reporting from the Embassy in Washington. Mr. MacGillivray agreed that the statement that the Americans "have cut all aid to Chile" might not be wholly accurate, i.e. current aid in the pipeline might be continued; and he specifically agreed that he was not referring to military aid (which is not necessarily in cash), on which the Embassy have reported that the Americans are taking a more sympathetic line at least for the present. In fact Mr. MacGillivray said that he was recollecting (not entirely accurately I think) Mr. Millard's recent letter to Mr. Wiggin reporting his conversation with Mr. Herwitch.

2. Mr. MacGillivray said that the Bank were doing an internal exercise on the Chilean reserves position on the basis that the Government would carry through full nationalisation of the copper industry and would agree to pay compensation. He said their preliminary conclusion was that the loss of exchange on compensation might be balanced by increased receipt from sales. On this basis nationalisation would not necessarily be economically disastrous. However, he admitted that there were many variables not least the price of copper.

3. Please consider entry. You may think it desirable to enter copies of at least some sections of the report on the respective country files.

→ X  
Andean Group attached

JR

(J. A. Robson)  
American Department,  
15 December, 1970.

Copy to: Mr. Wiggin (American Department)

Mr. Anderson: pl. enter piece on Brazil, Chile, Arg. &

Paul → Peru. 819 16/12

→ M. also enter piece on IADB & Cuba 819 16/12

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Bank of England.

With the compliments of  
G.J.MacGillivray

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BANK OF ENGLAND

10th December 1970.

Dear Jones,

You may be interested in the enclosed notes which I have done arising from my recent trip abroad.

I am copying this letter, with enclosures to Wiggin, Magor, Rawlings and Turner.

Yours sincerely,

*[Handwritten signature]*

Ronald Jones, Esq.

*Mr. Robson.*

*Please speak soon about section on Chile (page 3)*

*Mr. Lewis.*

*Mr. Abrahamson*

*Ente.*

*Chew  
12/12/70*

*p.a.*

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The Andean Group

There is considerable concern in the U.S. at the effect of the increasing influence of Chile, Peru and Bolivia on the Andean Group. An example of this influence is the highly contentious Draft Investment Law. I gather that the Colombians (and Ecuador) who hitherto have made a great deal of the running in the Andean Group, are now getting increasingly apprehensive about the socialistic policies of the above three countries, and they are now inclined to back-pedal. For the same reason it is becoming increasingly unlikely that Venezuela will join.

*jm.*

10th December 1970.

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EN CLAIR

PRIORITY LIMA TO FOREIGN AND COMMONWEALTH OFFICE

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17 DECEMBER 1970

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DRESSED TO FCO TELNO 421 OF 17 DECEMBER REPEATED FOR INFORMATION (PRIORITY) TO SANTIAGO QUITO BOGOTA CARACAS AND WASHINGTON AND (SAVING) TO LA PAZ

IN A PRESS CONFERENCE GIVEN IN LIMA ON 16 DECEMBER SR MARCOS SANDOVAL, LEADER OF THE VENEZUELAN DELEGATION ATTENDING AS OBSERVERS THE THIRD SESSION OF THE COMMISSION OF THE ANDEAN GROUP WHICH BEGAN ON 14 DECEMBER, SAID THAT VENEZUELA HAD REQUESTED ASSOCIATED STATUS FROM THE MEMBERS OF THE ANDEAN GROUP.

2. SANDOVAL SAID THAT VENEZUELA WANTED AN ARRANGEMENT WHICH WOULD TAKE ACCOUNT OF VENEZUELA'S ECONOMIC SITUATION AND AWARD HER THE SPECIAL TREATMENT TO WHICH THIS ENTITLES HER. HE ADDED THAT NO DECISION HAD YET BEEN TAKEN ON THE VENEZUELAN REQUESTO IT WOULD NOW BE STUDIED BY THE ANDEAN GROUP TO SEE IF IT WERE COMPATIBLE WITH THE TREATY OF CARTAGENA WHICH ESTABLISHED THE ANDEAN GROUP IN 1969. HE THOUGHT THE PROPOSAL WOULD BE DISCUSSED FURTHER AT THE MEETING OF THE DIRECTORS OF THE ANDEAN DEVELOPMENT CORPORATION TO BE HELD IN JANUARY 1971 IN CARACAS AND AT THE NEXT MEETING OF THE COMMISSION DUE TO TAKE PLACE IN MARCH IN LIMA. THE INVITATION TO VENEZUELA TO ATTEND MEETINGS OF THE ANDEAN GROUP AS AN OBSERVER WHICH WAS TO HAVE ENDED ON 31 DECEMBER NEXT, HAS BEEN EXTENDED INDEFINITELY TO ALLOW DISCUSSIONS TO TAKE PLACE.

3. CONTENT OF THE VENEZUELAN PROPOSALS HAVE NOT BEEN MADE PUBLIC. SANDOVAL SAID THAT THE MOST IMPORTANT SUBJECTS FOR NEGOTIATION WERE THE RANGE OF PRODUCTS WHICH WOULD BE EXCHANGED ON PREFERENTIAL TERMS BETWEEN VENEZUELA AND THE PRESENT MEMBERS OF THE ANDEAN GROUP AND JOINT INDUSTRIAL DEVELOPMENT PROGRAMMES.

F C O PLEASE PASS PRIORITY TO WASHINGTON MR. MORGAN

[REPEATED AS REQUESTED]

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(29)

CYPHER/CAT A  
ROUTINE BOGOTA  
TELEGRAM NUMBER 257

CONFIDENTIAL  
TO FOREIGN AND COMMONWEALTH OFFICE  
7 DECEMBER 1970

RECEIVED IN  
REGISTRY No. 18  
- 8 DEC 1970  
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CONFIDENTIAL 071700Z

ADDRESSED TO FCO TELNO 257 OF 7 DECEMBER REPEATED FOR  
INFORMATION TO QUITO LIMA LA PAZ SANTIAGO AND WASHINGTON.

MY TELNO 239 PARAGRAPH 2: ANDEAN GROUP.

I HAVE HAD A USEFUL TALK WITH NAVAS DE BRIGARD THE UNDER  
SECRETARY FOR ECONOMIC SUBJECTS AT THE MFA.

2. IN GENERAL HE SAID THE COLOMBIAN GOVERNMENT TOOK THE  
LIBERAL LINE OUTLINED IN THE ARTICLE BY RODRIGO BOTERO  
ENCLOSED WITH MY LETTER OF 27 NOVEMBER TO MACGILLIVRAY  
AT THE BANK OF ENGLAND. COLOMBIA HAD A CLEAR NEED FOR INVEST-  
MENT IN SOPHISTICATED INDUSTRIES WHICH COULD NOT BE  
SUPPLIED INTERNALLY E.G. AMONG OTHERS OIL REFINING,  
ELECTRONICS AND THE ADVANCED MANUFACTURE OF DRUGS. COLOMBIA  
WAS ATTRACTIVE TO FOREIGN INVESTORS AND DID NOT ENVISAGE  
COMPULSORY NATIONALISATION OF. IT EVEN OVER A STAGED  
PERIOD. SHE DID NOT WISH TO BE PULLED DOWN TO CHILEAN AND  
PERUVIAN LEVELS WHEN THESE COUNTRIES WERE SO MUCH LESS  
ATTRACTIVE TO FOREIGN INVESTORS.

3. ON THE OTHER HAND COLOMBIA WAS PREPARED TO ENCOURAGE  
FOREIGN INVESTORS TO GIVE INCREASING PLACE TO COLOMBIAN CAPITAL  
BY A SYSTEM OF INCENTIVES. NAVAS DE BRIGARD WAS NOT TO  
BE DRAWN ON THIS BEYOND SAYING THAT MORE GENEROUS PRIVILEGES E.G.  
OVER REMITTANCES AND RATES OF ROYALTY MIGHT BE CONSIDERED.

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/4. THIS

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4. THIS SUGGESTS THAT COLOMBIA WILL NOT SIMPLY TURN DOWN THE EXISTING PROPOSALS FORMULATED BY THE GROUP BUT RATHER PRODUCE HER OWN ALTERNATIVE SOLUTION.

HOWEVER NAVAS DE BRIGARD SAID HE THOUGHT NO DECISION IN THE GROUP WOULD BE REACHED THIS MONTH, THE ISSUE BEING POSTPONED UNTIL NEXT YEAR.

5. ON THE OTHER HAND MY INQUIRIES SHOW THAT THE MINISTER OF DEVELOPMENT, JORGE VALENCIA (WHO WAS THE MAIN COLOMBIAN NEGOTIATOR FOR THE CARTAENAS(SIC) PACT AND WHO WILL LEAD FOR COLOMBIA AT THE LIMA MEETING) IS EXTREMELY KEEN ON A DECISION BEING REACHED ON A COMPLETE PACKAGE WHICH SUGGESTS HE MAY BE READY TO MAKE CONCESSIONS ON FOREIGN INVESTMENT. IF SO EVEN MORE WILL DEPEND ON THE ECUADOREAN ATTITUDE.

FCO PSE PASS ROUTINE TO ALL.

MR. RODGERS

/REPEATED AS REQUESTED/

F I L E S

- AMERICAN DEPT.
- EX. PROM. DEPT.
- MR. HANKEY
- MR. BOTTOMLEY

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CYPHER/CAT A  
ROUTINE LINA  
TELEGRAM NO. 14 TO BOGOTA

CONFIDENTIAL  
TO FOREIGN AND COMMONWEALTH OFFICE  
DATED 1 DECEMBER 1970.

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CONFIDENTIAL 012245Z  
ADDRESSED TO BOGOTA TELNO 14 OF 1 DECEMBER REPEATED FOR  
INFORMATION TO FCO AND QUITO.

YOUR TELEGRAM 239 TO FCO: ANDEAN PACT CONVENTION ON TREATMENT  
OF FOREIGN CAPITAL.

YOU MAY WISH TO REPEAT YOUR TELEGRAM UNDER REFERENCE TO QUITO,  
IN VIEW OF THEIR TELEGRAM NO 151 TO ME.

2. INDICATIONS FROM THE SECRETARY OF ANDEAN PACT JUNTA AND  
FROM COLOMBIAN AMBASSADOR HERE ACCORD WITH ESTIMATE OF COLOMBIAN  
POLICY IN YOUR PARA 2. BOTH BELIEVE COLOMBIA WILL NOT  
WISH TO PROVOKE A CRISIS BY ITSELF REJECTING THE JUNTA'S  
DRAFT CONVENTION OUTRIGHT, BUT WILL WANT TO SEEK

SUBSTANTIAL AMENDMENTS. NEWSPAPERS HERE REPORT THAT A MEETING  
ON THE SUBJECT IS TAKING PLACE BETWEEN COLOMBIA AND ECUADOR  
IN BOGOTA, AND THIS WILL NO DOUBT BE IMPORTANT.

3. I HAVE NOT BEEN ABLE TO FIND ANYTHING OUT HERE ABOUT  
ECUADOREAN INTENTIONS, BUT QUITO MAY NOW BE ABLE TO COMMENT.

FCO PSE PASS BOGOTA AND QUITO.

[REPEATED AS REQUESTED]

MR. MORGAN  
FILES  
AMERICAN D.  
F.P.D.  
MR. HANLEY  
MR. BOTCHKLEY

CONFIDENTIAL

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*Mr. Royden JLR 27*  
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*Acknowledged*  
*11/12/70*

13th November, 1970.

The Hon. H.A.A. Hankey, CMG, CVO,  
Foreign and Commonwealth Office,  
King Charles Street,  
LONDON, S.W.1.

*Mr Hanne*  
*(enclosure not read) But*  
*see culture attached. Who*  
*is reporting on this? Have CIRE*  
*made any assessment?*  
*3/xii*

Dear Mr. Hankey,

It does not seem very long ago since you were kind enough to come and have lunch with us in our boardroom.

Since then a great change has come over the South American scene, particularly with the formation of the Andean Community, and this is where the political developments are becoming a source of worry to us, in particular as to how they will legislate as regards foreign investments in these countries.

I am therefore sending you a publication issued by ONIT, the Secretariat in Lima of the Andean Community, as to how foreign investment should be treated by the five governments. I am not really sure of the status of this publication, but on the surface it has to be ratified by three out of the five governments to take effect.

Yours sincerely,

*J.L. Royden*  
J.L. Royden

*AK*  
*3/xii*

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OFICINA NACIONAL DE INTEGRACION

PROPUESTA SOBRE EL REGIMEN COMUN DE  
TRATAMIENTO A LOS CAPITALES EXTRANJEROS

Publicación del Centro de Documentación de

ONIT

Serie de Reproducciones N° 6

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CAPITULO 1NORMAS COMUNESArtículo 1.-

Para los efectos del presente Régimen, se entiende por:

Inversión extranjera directa, los recursos financieros y los bienes tangibles de propiedad de personas naturales o empresas extranjeras que se aporten al capital social de una empresa, con derecho a la reexportación de su valor y a la transferencia de utilidades al exterior.

Inversionista extranjero, al propietario de una inversión extranjera directa.

Inversionista nacional, el Estado, las personas naturales nacionales, las personas jurídicas nacionales que no persigan fin de lucro y las empresas nacionales definidas en este artículo. Se considerará también como inversionistas nacionales a las personas naturales extranjeras con residencia ininterrumpida en el país receptor no inferior a un año, que renuncien ante el organismo competente el derecho a reexportar el capital y a remitir utilidades al exterior.

Empresa nacional, aquella cuyo capital social pertenece en más del ochenta por ciento a inversionistas nacionales, siempre que esa proporción se refleje en la dirección técnica, financiera, administrativa y comercial de la empresa.

Empresa mixta, aquella cuyo capital social pertenece a inversionistas nacionales en una proporción que puede fluctuar entre el cincuentiuno por ciento y el ochenta por ciento, siempre que esa proporción se refleje en la dirección técnica, financiera y administrativa o comercial de la empresa.

Empresa extranjera, aquella cuyo capital social perteneciente a inversionistas nacionales es inferior al cincuentiuno por ciento.

Comisión, La Comisión del Acuerdo de Cartagena.

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Junta, la Junta del Acuerdo de Cartagena.

País Miembro, uno de los Países Miembros del Acuerdo de Cartagena.

Artículo 2.-

Todo inversionista extranjero que desee invertir en alguno de los Países Miembros deberá presentar su solicitud ante el organismo competente, el cual, previa evaluación, sólo la autorizará cuando corresponda a las prioridades del desarrollo del país receptor. La solicitud deberá atenerse a la pauta que se señala en el Anexo del Régimen.

La Comisión, a propuesta de la Junta, podrá aprobar criterios comunes para la evaluación de la inversión extranjera directa en los Países Miembros.

Artículo 3.-

Los Países Miembros no autorizarán inversión extranjera directa en actividades que consideren adecuadamente atendidas por empresas existente.

Tampoco autorizarán inversión extranjera directa destinada a la adquisición de empresas nacionales.

Podrá autorizarse, en casos excepcionales, la compra de acciones de propiedad de inversionistas nacionales por inversionistas extranjeros, siempre que se cumplan las siguientes condiciones:

- a) que el aporte sea estrictamente indispensable para la adquisición de tecnología o para la exportación de los productos de la empresa respectiva a los mercados de terceros países;
- b) que los inversionistas nacionales mantengan por lo menos el cincuenta por ciento del capital social de la empresa, y que esa proporción se refleje en la dirección técnica, financiera, administrativa y comercial de la empresa.

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- c) que el inversionista extranjero se comprometa a poner en venta las acciones que haya adquirido en la empresa para su compra por inversionistas nacionales, dentro de un plazo que no exceda de diez años, que se fijará en cada caso según las características del sector. La autorización expedida por el organismo competente, contendrá el plazo y las condiciones en que se cumplirá dicha obligación, la forma en que se determinará el valor de las acciones al tiempo de su venta y si fuera el caso, los sistemas que aseguren el traspaso de éstas a inversionistas nacionales.

Bolivia y el Ecuador podrán autorizar la compra de acciones de propiedad de inversionistas nacionales por inversionistas extranjeros, cuando el aporte sea indispensable para la exportación de los productos de la empresa respectiva al mercado subregional. Asimismo el plazo señalado en el literal (c) de este artículo no podrá exceder de quince años tratándose de Bolivia y el Ecuador.

El inversionista extranjero no podrá pagar el valor de las acciones que adquiriera en virtud de la autorización excepcional a que se refiere este artículo, con acciones, bonos o títulos extranjeros semejantes.

Artículo 4.-

Toda inversión extranjera directa se registrará ante el organismo competente junto con la decisión gubernamental en que se determinen las condiciones de la autorización. El monto de la inversión se registrará en moneda libremente convertible.

Artículo 5.-

El control del cumplimiento de las obligaciones contraídas por los inversionistas extranjeros estará a cargo del organismo que registra la inversión, en coordinación con las reparticiones o dependencias estatales competentes en cada caso.

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Además de las funciones que se señalan en otras disposiciones del presente Régimen y de las que se establezcan en el reglamento respectivo, corresponderá al organismo competente:

- a) Controlar el cumplimiento de los compromisos de participación nacional progresiva en la dirección técnica, administrativa, financiera y comercial y en el capital de la empresa.
- b) autorizar la compra de acciones de inversionistas nacionales por inversionistas extranjeros, conforme a lo establecido en el presente Régimen;
- c) Establecer un sistema de información y control de los precios de los productos intermedios que suministren los proveedores de tecnología o capital extranjero;
- d) Autorizar la transferencia al exterior, en divisas libremente convertibles de toda suma a cuyo envío tengan derecho las empresas según el presente Régimen y las leyes nacionales del país respectivo;
- e) Centralizar los registros estadísticos, contables, de información y control relacionados con la inversión extranjera directa;
- f) Autorizar los contratos de licencia para uso de tecnología importada y para la explotación de marcas y patentes.

#### Artículo 6.-

El inversionista extranjero podrá reexportar el capital invertido cuando venda sus acciones a inversionistas nacionales o cuando se produzca la liquidación de la empresa.

La venta de acciones de un inversionista extranjero a otro inversionista extranjero deberá ser previamente autorizada por el organismo competente y no se considerará como reexportación de capital.

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Artículo 7 .-

Se entiende por capital reexportable el formado por el monto de la inversión extranjera directa inicial registrada y efectivamente realizada, más las reinversiones efectuadas en la misma empresa conforme a lo dispuesto en el presente Régimen y menos las pérdidas netas, si las hubiere.

Artículo 8 .-

Se podrá transferir al exterior en divisas libremente convertibles, todas las utilidades comprobadas que provengan de la inversión extranjera directa, previa autorización del organismo competente.

La conversión correspondiente se realizará al tipo de cambio vigente al término del año contable en que se generó la utilidad que se remesa.

Artículo 9.-

La reinversión de utilidades percibidas por las empresas extranjeras deberá autorizarse y negociarse con todas las formalidades de una nueva inversión y sólo podrá reexportarse cuando el inversionista extranjero venda sus acciones a inversionistas nacionales o cuando la empresa se liquide.

Artículo 10 .-

En casos de excepción, determinados en la autorización inicial los gobiernos de los Países Miembros podrán admitir la reinversión de las utilidades percibidas por la empresa extranjera, sin necesidad de autorización particular, hasta un monto que no exceda anualmente el cinco por ciento del capital pagado de la empresa respectiva. En estos casos subsiste la obligación de registro.

Artículo 11 .-

Los créditos externos que contrae una empresa requieren autorización previa y registro por el organismo competente.

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Se podrán autorizar límites globales de endeudamiento externo por períodos determinados. Los contratos de crédito externo celebrados dentro de los límites globales autorizados, deberán ser registrados ante el organismo competente.

Artículo 12 .-

Los gobiernos de los Países Miembros se abstendrán de avalar o garantizar en cualquier forma, ya sea directamente o por intermedio de instituciones oficiales o semioficiales, operaciones de crédito externo celebradas por empresas extranjeras.

Artículo 13 .-

Las transferencias al exterior que efectúen las empresas por concepto de amortización e intereses por el uso del crédito externo, se autorizarán siempre que se ajusten a los términos del contrato de crédito registrado.

La tasa de interés efectivo anual que paguen las empresas extranjeras por el uso del crédito externo no podrán exceder en más de tres puntos la tasa de interés de los valores de primera clase vigente en el mercado financiero del país de origen de la moneda en que se haya registrado la operación.

Para los efectos del presente artículo, se entiende por interés efectivo el costo total que debe pagar el deudor por la utilización del crédito, incluyendo comisiones y gastos de todo orden.

Artículo 14 .-

En materia de crédito interno, las empresas extranjeras tendrán acceso únicamente al de proveedores y sólo para la adquisición de bienes o servicios nacionales.

Artículo 15 .-

Todo contrato sobre importación de tecnología, en cualquiera de sus formas, deberá ser examinado y sometido a la aprobación del organismo competente del respectivo País Miembro, el cual para la determinación y negociación de su costo, deberá evaluar la contribución efectiva de la tecnología importada, mediante la estimación de sus utilidades probables, el precio de los bienes que incorporen tecnología u otras formas específicas de cuantificación del efecto de la tecnología importada.

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Artículo 16 .--

Los contratos sobre importación de tecnología deberán contener, por lo menos, cláusulas sobre las materias siguientes:

- a) Identificación de las modalidades que revista la transferencia de la tecnología que se importa;
- b) Valor contractual de cada uno de los elementos involucrados en la transferencia de tecnología, expresado en forma equivalente a la utilizada en el registro de la inversión extranjera directa.

Artículo 17 .--

Los Países Miembros no autorizarán la celebración de contratos sobre transferencia de tecnología externa que contengan:

- a) Cláusulas en virtud de las cuales el suministro de tecnología lleve consigo la obligación, para el país o la empresa receptora, de adquirir de una fuente determinada bienes de capital, bienes intermedios y materia prima, personal o tecnología. En casos excepcionales el país receptor podrá aceptar cláusulas de esta naturaleza para la adquisición de bienes de capital, productos intermedios o materias primas, siempre que el precio de los mismos corresponda a los niveles corrientes en el mercado internacional;
- b) Cláusulas conforme a las cuales la empresa vendedora de tecnología se reserve el derecho de fijar los precios de venta o reventa de los productos que se elaboren con base en la tecnología respectiva;
- c) Cláusulas que contengan restricciones referentes al volumen y estructura de la producción;
- d) Cláusulas que prohíban el uso de tecnología competidoras y
- e) Otras cláusulas de efecto equivalente.

Salvo casos excepcionales, debidamente calificados por el organismo competente del país receptor no se admitirán cláusulas en que se prohíba o limite de cualquier manera la exportación de los productos elaborados a base de la tecnología respectiva.

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En ningún caso se admitirán cláusulas de esta naturaleza en relación con el intercambio subregional o para la exportación de productos similares a terceros países.

Artículo 18 .-

No se computarán como aportes de capital las contribuciones tecnológicas intangibles de las empresas extranjeras cuando sean suministradas por la casa matriz respectiva o por filiales de la misma casa matriz, ni se admitirá a las empresas extranjeras deducción alguna, para los efectos tributarios, por concepto de pago de regalías a su casa matriz o a otra filial de ésta.

Artículo 19 .-

Las autoridades nacionales emprenderán una tarea continua y sistemática de investigación de las tecnologías disponibles en el mercado mundial para las distintas ramas industriales, con el fin de disponer de las soluciones alternativas más favorables y convenientes para las condiciones económicas de la subregión y remitirán los resultados de sus trabajos a la Junta. Esta acción se adelantará en forma coordinada con las que en otro capítulo de este Régimen se adoptan en relación con la producción de tecnología nacional o subregional.

Artículo 20 .-

La Comisión, a propuesta de la Junta, aprobará, antes del 31 de Diciembre de 1972, un programa encaminado a promover y proteger la producción de tecnología subregional.

Este programa deberá contener, entre otros elementos:

- a) Beneficios especiales, tributarios o de otro orden, para estimular la producción de tecnología y especialmente de las relacionadas con el uso intensivo de insumos de origen subregional o que estén diseñadas para aprovechar eficazmente los factores productivos subregionales.
- b) Fomento de las exportaciones a terceros países de productos elaborados a base de tecnología subregional;

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En ningún caso se admitirán cláusulas de esta naturaleza en relación con el intercambio subregional o para la exportación de productos similares a terceros países.

Artículo 18 .-

No se computarán como aportes de capital las contribuciones tecnológicas intangibles de las empresas extranjeras cuando sean suministradas por la casa matriz respectiva o por filiales de la misma casa matriz, ni se admitirá a las empresas extranjeras deducción alguna, para los efectos tributarios, por concepto de pago de regalías a su casa matriz o a otra filial de ésta.

Artículo 19 .-

Las autoridades nacionales emprenderán una tarea continua y sistemática de investigación de las tecnologías disponibles en el mercado mundial para las distintas ramas industriales, con el fin de disponer de las soluciones alternativas más favorables y convenientes para las condiciones económicas de la subregión y remitirán los resultados de sus trabajos a la Junta. Esta acción se adelantará en forma coordinada con las que en otro capítulo de este Régimen se adoptan en relación con la producción de tecnología nacional o subregional.

Artículo 20 .-

La Comisión, a propuesta de la Junta, aprobará, antes del 31 de Diciembre de 1972, un programa encaminado a promover y proteger la producción de tecnología subregional.

Este programa deberá contener, entre otros elementos:

- a) Beneficios especiales, tributarios o de otro orden, para estimular la producción de tecnología y especialmente de las relacionadas con el uso intensivo de insumos de origen subregional o que estén diseñadas para aprovechar eficazmente los factores productivos subregionales.
- b) Fomento de las exportaciones a terceros países de productos elaborados a base de tecnología subregional;

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- c) Canalización de ahorro interno hacia el establecimiento de centros subregionales o nacionales de investigación y desarrollo; y
- d) Adopción de medidas que dificulten la importación de tecnología competitiva con la desarrollada en la subregión.

Artículo 21 .-

Los gobiernos de los Países Miembros darán preferencia en sus adquisiciones a los productos que incorporen tecnología de origen subregional. La Comisión, a propuesta de la Junta, podrá proponer a los Países Miembros el establecimiento de impuestos a los productos que utilicen marcas extranjeras cuando en su elaboración se emplee tecnología de público conocimiento y fácil acceso.

Artículo 22 .-

Los contratos de licencia para la explotación de marcas y patentes extranjeras en el territorio de los Países Miembros, no podrán contener cláusulas restrictivas tales como:

- a) Prohibición de exportar o vender en determinados países los productos elaborados al amparo de la marca o la patente respectiva;
- b) Obligación de utilizar materias primas, bienes intermedios y equipos suministrado por el titular de la marca o la patente o de sus afiliados. En casos excepcionales, el país receptor podrá aceptar cláusulas de esta naturaleza siempre que el precio de los mismos corresponda a los niveles corrientes en el mercado internacional.
- c) Fijación de precios de venta o reventa de los productos elaborados al amparo de la marca o la patente;
- d) Obligación de pagar regalías al titular de la marca o la patente por marcas o patentes no utilizadas;
- e) Obligación de utilizar permanentemente personal suministrado por el titular de la marca o de la patente;
- f) Otras de efecto equivalente.

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Artículo 23 .-

La Comisión, a propuesta de la Junta, podrá señalar procesos de producción, productos o grupos de productos respecto de los cuales ninguno de los Países Miembros podrá otorgar privilegios de patente.

Artículo 24 .-

Los Países Miembros no otorgarán privilegio de patentes de confirmación, entendiéndose por tales las referentes a inventos que ya han sido explotados y conocidos suficientemente en otros países.

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CAPITULO IIEMPRESAS MIXTASArtículo 25 .-

Las empresas extranjeras se obligarán a poner en venta no menos del cincuenta por ciento del total de sus acciones para su adquisición por inversionistas nacionales.

Esta obligación se deberá cumplir en forma gradual y progresiva dentro de un plazo que no podrá exceder de diez años para Colombia, Chile y Perú y de quince años en Bolivia y el Ecuador, contados a partir de la fecha de la autorización pertinente

La obligación de poner en venta no se extingue por el vencimiento del plazo respectivo.

La decisión por la cual el organismo competente del país receptor autorice una inversión para el establecimiento de una empresa extranjera en su territorio, fijará el plazo y las condiciones en que se cumplirá dicha obligación, así como la forma en que se determinará el valor de las acciones al tiempo de su venta y, si fuere el caso, los sistemas que aseguren el traspaso de éstas a inversionistas nacionales.

Artículo 26 .-

Cuando se trate de empresas extranjeras cuya producción se destine sustancialmente a la exportación a mercados de terceros países, los plazos de que trata el Artículo 25 podrán ser hasta de quince años en Colombia, Chile y Perú y hasta de veinte años en Bolivia y el Ecuador.

Se entenderá que la producción se destina sustancialmente a mercados de terceros países cuando, dentro de un término que no podrá exceder de cinco años, no menos del cincuenta por ciento de la producción de la empresa se exporte a esos mercados.

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Artículo 27 .-

En los programas sectoriales de desarrollo industrial y en los programas conjuntos de desarrollo agropecuario la Comisión a propuesta de la Junta, podrá establecer plazos diferentes a los indicados en el Artículo 25, para la transformación de empresas extranjeras en empresas mixtas y considerará de manera especial la situación de Bolivia y el Ecuador.

Artículo 28 .-

Las empresas mixtas gozarán de los siguientes beneficios, entre otros: |

- a) Libre acceso al crédito interno en todas sus formas;
- b) Acceso a los sectores de la actividad económica reservados para las empresas nacionales;
- c) Derecho a computar como aporte de capital el valor de la tecnología importada en la forma establecida en el inciso tercero del Artículo 14;
- d) Facultad de deducción, para los efectos tributarios, de las sumas pagadas por concepto de regalías.

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## CAPITULO III

NORMAS ESPECIALES POR SECTORESArtículo 29 .-

Las empresas extranjeras que inicien sus actividades en el sector de productos básicos con posterioridad a la entrada en vigor del presente Régimen, deberán sujetarse a todas sus disposiciones.

Durante los diez primeros años de vigencia del presente Régimen, en forma excepcional y en casos debidamente calificados por el país receptor, se podrá autorizar la actividad de empresas extranjeras en este sector bajo el sistema de concesiones, siempre que el plazo del contrato respectivo no exceda de veinte años.

En ningún caso el plazo de exploración podrá exceder de cinco años.

Los Países Miembros no autorizarán deducciones por agotamiento para fines tributarios a las empresas que inviertan en este sector.

La participación de empresas extranjeras en la exploración y explotación de yacimientos de hidrocarburos líquidos y gaseosos se autorizará preferentemente en la forma de contratos de asociación con Empresas del Estado del país receptor.

Artículo 30 .-

Los contratos de asociación de que trata el artículo anterior se ceñirán a las siguientes reglas:

- a) La dirección técnica, financiera, administrativa, y comercial, estará a cargo de un comité ejecutivo constituido paritariamente;
- b) El plazo del contrato no podrá exceder de veinte años
- c) El plazo para exploración no podrá pasar de cinco años durante los cuales la empresa extranjera asociada estará obligada a hacer inversiones anuales mínimas en cuantía que se estipulará en el contrato;

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- d) Una vez pagadas y deducidas las regalías correspondientes, la participación de la empresa del Estado no podrá ser inferior al cincuenta por ciento de las utilidades de la explotación antes del pago de los impuestos a que haya lugar;
- e) La cláusula de reversión debe estipular la obligación, a cargo de la empresa extranjera asociada, de proveer a la conservación de los equipos e instalaciones; y
- f) Medidas eficaces de conservación de las reservas del yacimiento.

Artículo 31 .-

No se admitirá el establecimiento de empresas extranjeras ni nueva inversión extranjera directa en el sector de servicios públicos. Se exceptúan de esta norma las inversiones que tuvieran que realizar las empresas extranjeras actualmente existentes para operar en condiciones de eficiencia técnica y económica.

Para estos efectos, se consideran servicios públicos los de agua potable, alcantarillado, energía eléctrica y alumbrado, aseo y servicios sanitarios, teléfonos, correos y telecomunicaciones.

Artículo 32 .-

No se admitirá nueva inversión extranjera directa en el sector de los seguros banca comercial y demás instituciones financieras.

Los bancos extranjeros actualmente existentes en el territorio de los Países Miembros dejarán de recibir depósitos locales en cuenta corriente, en cuentas de ahorro o a plazo fijo, dentro de un plazo de tres años contados desde la entrada en vigor del presente Régimen.

Los bancos extranjeros actualmente existentes que deseen continuar recibiendo depósitos locales de cualquier especie deberán transformarse en empresas mixtas, para cuyo efecto pondrán en venta acciones que correspondan por lo menos al sesenta por ciento de su capital para su adquisición por inversionistas nacionales dentro del plazo señalado en el inciso anterior.

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Artículo 33 .-

No se admitirá nueva inversión extranjera directa en empresas de transporte interno, publicidad, radioemisoras comerciales, estaciones de televisión, periódicos, revistas ni en las dedicadas a la comercialización interna de productos de cualquier especie.

Las empresas extranjeras que operen actualmente en estos sectores deberán transformarse en empresas mixtas, para cuyo efecto deberán poner en venta por lo menos el sesenta por ciento de sus acciones para su adquisición por inversionistas nacionales en un plazo no mayor de tres años, contados a partir de la entrada en vigor del presente Régimen en Colombia, Chile y Perú y de seis años en Bolivia y el Ecuador.

Lo dispuesto en el primer inciso de este artículo se aplicará a los oleoductos, gasoductos y otras formas semejantes de transporte de productos en lo referente a contratos que se celebren con posterioridad a la entrada en vigor del presente Régimen.

Artículo 34 .-

La comisión, a propuesta de la Junta, podrá determinar otros sectores de la actividad económica que los cinco Países Miembros reservarán para las empresas nacionales, públicas o privadas, o para las empresas mixtas.

Por su parte, cualquier País Miembro podrá reservar para las empresas nacionales, públicas o privadas, o para las empresas mixtas otros sectores de la actividad económica distintos de los señalados en este capítulo.

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CAPITULO IVDISPOSICIONES VARIASArtículo 35.-

El capital de las sociedades anónimas deberá estar representado en acciones nominativas. Las acciones al portador de las sociedades anónimas existentes deberán transformarse en acciones nominativas dentro del plazo de un año contado desde la entrada en vigor de este Régimen.

Artículo 36.-

Cuando se trate de proyectos que correspondan a productos para Bolivia o el Ecuador por aplicación del Artículo 50 del Acuerdo de Cartagena o de productos que sean asignados a cualquiera de ellos en programas sectoriales de desarrollo industrial, los cuatro países restantes se comprometen a no autorizar inversión extranjera directa en sus territorios.

Artículo 37.-

La Comisión, a propuesta de la Junta, aprobará, a más tardar el 31 de diciembre de 1971, un convenio destinado a evitar la doble tributación entre los Países Miembros.

Dentro del mismo plazo la Comisión, a propuesta de la Junta, aprobará un convenio tipo para la celebración de arreglos sobre doble tributación entre los Países Miembros y otros estados ajenos a la Subregión. Entretanto, los Países Miembros se abstendrán de celebrar convenios de esta naturaleza con ningún país ajeno a la Subregión.

Artículo 38.-

Los Países Miembros se comprometen a mantenerse recíprocamente informados y a informar a la Junta sobre las autorizaciones de inversión extranjera que otorguen en sus territorios, con el objeto de facilitar una creciente armonización de sus políticas y de mejorar su capacidad de negociación, especialmente para obtener condiciones no menos favorables para el país receptor que aquellas que se hayan negociado en casos similares en cualquier otro País Miembro.

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CAPITULO VGARANTIASArtículo 39.-

Las empresas extranjeras sólo podrán ser expropiadas por causa de utilidad pública y mediante el pago de adecuada compensación, conforme a lo establecido en las leyes vigentes del país respectivo.

Artículo 40.-

Los inversionistas extranjeros tendrán los siguientes derechos:

- a) Reexportación de capitales en la forma establecida en el presente Régimen;
- b) Remesa de utilidades líquidas; y
- c) Remesa de regalías en la forma establecida en el contrato respectivo.

Para los efectos indicados en este artículo, los inversionistas extranjeros tendrán acceso al mercado de divisas.

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CAPITULO VI

CONTROVERSIAS

Artículo 41.-

En ningún instrumento relacionado con inversiones extranjeras o transferencia de tecnología se admitirán cláusulas que sus- traigan los posibles conflictos o controversias de la juris- dicción y competencia nacionales del país receptor.

Las discrepancias entre los Países Miembros del presente Régi- men, con motivo de su interpretación o ejecución, serán resuel- tas siguiendo el procedimiento señalado en el Capítulo II, Sec- ción D., " De la solución de controversias", del Acuerdo de Cartagena.

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CAPITULO VIIEL REGIMEN COMUN Y LAS INSTITUCIONES DELACUERDO DE CARTAGENAArtículo 42.-

Además de las contenidas en el Acuerdo de Cartagena y a las - que se establezcan en los reglamentos correspondientes, se con fieren a la Comisión y a la Junta las siguientes facultades:

Comisión

- a) Perfeccionar las normas y criterios contenidos en el Régimen Común;
- b) Decidir sobre las propuestas que la Junta eleve a su consideración respecto del tratamiento a los ca pitales extranjeros y del sistema de producción y comercialización de tecnología, en cumplimiento del presente Régimen. La Comisión tomará decisiones - en estas materias, siguiendo el régimen de votación previsto en el literal b) del Artículo 11 del Acuer do de Cartagena;
- c) Aprobar, a propuesta de la Junta, los reglamentos que sean necesarios para la mejor aplicación del - Régimen Común.

Junta

- a) Velar por la aplicación y el cumplimiento del Régi men y de los reglamentos que sobre la materia aprue ba la Comisión;
- b) Centralizar la información estadística, contable o de cualquier otra naturaleza, relacionada con la - inversión extranjera, proveniente de los Países - Miembros.
- c) Acopiar información económica y jurídica sobre la inversión extranjera y suministrarla a los Países Miembros;

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- d) Proponer a la Comisión medidas para perfeccionar y reglamentar el presente Régimen;
- e) Coordinar la labor de los organismos nacionales de propiedad industrial, mientras no se establezca la Oficina Subregional de que trata el Artículo 43.

Artículo 43.-

La Comisión, a propuesta de la Junta, establecerá una Oficina Subregional de Propiedad Industrial que tendrá la facultad de examinar las solicitudes de registro de marcas y patentes de cualquier origen, aprobar y registrar las marcas y otorgar el privilegio de patente cuando sea el caso, conforme a las reglas del presente instrumento.

Los registros de marca y los privilegios de patente otorgados por la Oficina Subregional de Propiedad Industrial tendrán va lidez en el territorio de todos los Países Miembros.

Artículo 44.-

Mientras no entre en funcionamiento la Oficina Subregional de Propiedad Industrial, la admisión de la solicitud de registro de una marca en cualquier País Miembro, otorga al peticionario un derecho de prioridad durante un plazo de seis meses para solicitar el registro de aquella en los demás Países Miembros. Para las patentes, el mencionado derecho de prioridad será de un año.

Artículo 45.-

La Comisión, a propuesta de la Junta, establecerá un sistema subregional para el fomento de producción de tecnología que tendrá a su cargo, además, la función de centralizar la información a que se refiere el Artículo 19 del presente Régimen y difundirla entre los Países Miembros, junto con la que obtenga directamente sobre las mismas materias y sobre las condiciones de comercialización de la tecnología.

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Artículo 46.-

Antes del 31 de diciembre de 1971 la Comisión, a propuesta de la Junta, adoptará un reglamento para la aplicación de las normas sobre propiedad industrial en todos los Países Miembros. Dicho reglamento comprenderá, entre otros, los temas siguientes:

- a) Determinación de los signos, palabras, símbolos o nombres que se pueden registrar como marcas;
- b) Disposiciones sobre propiedad de la marca, procedimientos para adquirirla, personas que pueden ser titulares del derecho, etc.;
- c) Clasificación uniforme de los productos para los efectos de las marcas;
- d) Publicación y términos de oposición al registro;
- e) Prioridad o derecho a oposición;
- f) Uso del privilegio;
- g) Caducidad por falta de uso;
- h) Término del privilegio;
- i) Negociación de la marca;
- j) Causales uniformes sobre nulidad, falta de renovación, cancelación por registros anteriores, etc.;
- k) Clasificación de patentes;
- l) Determinación de los productos y procesos industriales que puedan ser patentados en función de los objetivos de la estrategia global para el desarrollo de la subregión;
- m) Condiciones de patentabilidad y, particularmente, criterios uniformes para establecer la novedad y la aplicación industrial de la patente;
- n) Titulares de la patente;
- o) Procedimiento para el registro, la oposición, la forma para poner en práctica la inversión, etc.;
- p) Término del privilegio; y
- q) Normas sobre modelos y dibujos industriales.

DISPOSICIONES TRANSITORIASArtículo A.-

El presente Régimen entrará en vigor una vez que se haya efectuado el depósito del tercer instrumento de ratificación en la Secretaría de la Junta del Acuerdo de Cartagena.

Artículo B.-

Las inversiones extranjeras existentes en el territorio de los Países Miembros a la fecha de entrada en vigor del presente Régimen, deberá registrarse ante la autoridad competente dentro de los seis meses siguientes. Estas inversiones seguirán gozando de los beneficios que les otorgan las disposiciones vigentes en todo lo que sea contrario al presente Régimen.

Artículo C.-

Los Países Miembros se comprometen a adoptar todas las medidas necesarias para asegurar el cumplimiento de las disposiciones contempladas en el presente Régimen.

Artículo D.-

Mientras no entren en funcionamiento el organismo subregional de registro de propiedad industrial y los reglamentos para la aplicación de las normas en esta materia, los Países Miembros se abstendrán de celebrar unilateralmente convenios sobre propiedad industrial con terceros países.

Artículo E.-

Dentro de los tres meses siguientes a la entrada en vigor del presente Régimen, cada País Miembro designará el organismo competente para la autorización, registro y control de la inversión extranjera e informará a los otros Países Miembros y a la Junta sobre esa designación.

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Artículo F.-

Todos los contratos de licencia para la explotación de marcas o patentes extranjeras celebrados hasta la fecha de entrada en vigor del presente Régimen en cualquier País Miembro, deberán ser registrados ante el organismo competente dentro de los seis meses siguientes a dicha fecha.

Artículo G.-

Los Países Miembros se comprometen a no establecer incentivos a la inversión extranjera diferentes a los contemplados en sus legislaciones de fomento industrial a la fecha de entrada en vigor del presente Régimen, mientras no se cumpla el compromiso previsto en el Artículo 28, inciso segundo, del Acuerdo de Cartagena, sobre armonización de las legislaciones de fomento industrial.

Asimismo, antes del 31 de diciembre de 1972, la Comisión, a propuesta de la Junta, adoptará las medidas necesarias para armonizar el régimen de incentivos aplicables a los demás sectores.

Artículo H.-

Mientras no se adopte el régimen uniforme de las empresas multinacionales subregionales, previsto en el artículo 28 del Acuerdo de Cartagena, las inversiones de capital originario de un País Miembro en otro País Miembro se registrarán por las condiciones que establezcan en cada oportunidad los países interesados.

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A N E X OPAUTA PARA LA AUTORIZACION, REGISTRO Y CONTROL  
DE LA INVERSION EXTRANJERA

Toda solicitud de inversión extranjera deberá contener:

- I) Individualización del inversionista.
- a) Nombre o razón social;
  - b) Nacionalidad;
  - c) Constitución del Directorio;
  - d) Composición del personal y Gerencia;
  - e) Actividad económica;
  - f) Copia de la escritura social.
- II) Modalidades de la inversión.
- a) Recursos financieros en divisas o crédito;
    - Moneda en que se efectúa la inversión
    - Capital de origen nacional
    - Capital de origen extranjero
    - Crédito de casa matriz
    - Crédito de otras fuentes
    - Interés efectivo a pagarse por los créditos.
  - b) Recursos físicos o tangibles como:
    - Plantas industriales
    - Maquinarias nuevas y reacondicionadas
    - Equipos nuevos y reacondicionados
    - Repuestos
    - Partes y piezas
    - Materias primas
    - Productos intermedios.

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c) Recursos derivados de la tecnología o intangibles como:

- Marcas
- Modelos industriales
- Capacidad gerencial
- Conocimientos técnicos patentados o no patentados (know-how)

Los conocimientos técnicos pueden presentarse - en las siguientes formas:

i) Objetos:

- Muestrarios
- Modelos no registrados
- Máquinas, aparatos, piezas, herramientas
- Dispositivos de confección

ii) Documentos técnicos:

- Fórmulas, cálculos
- Planos, dibujos
- Inventos no patentados

iii) Instrucciones:

- Notas de elaboración, fabricación, funcionamiento de producto o del proceso
- Explicaciones o consejos prácticos de ejecución
- Folletos técnicos
- Explicaciones complementarias de patentes
- Circuitos de fabricación
- Métodos de control
- Montos a pagarse por concepto de regalías
- Individualización del perceptor de regalías.

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## III) Requerimiento que se satisfacen:

- a) Escasez de ahorro interno;
- b) Escasez de divisas;
- c) Falta de capacidad directiva o administrativa;
- d) Necesidad de acceso a conocimientos tecnológicos - escasos;
- e) Ausencia de capacidad o de contactos comerciales - para la venta de mercaderías en los mercados inter nacionales;
- f) Falta de espíritu empresarial local.

## IV) Plan de participación nacional progresiva:

- a) Porcentaje de acciones a colocarse en manos de inversionistas nacionales;
- b) Plazo y condiciones para llevarlo a efecto;
- c) Forma de determinar el valor de cada colocación.

## ) Efectos de la nueva inversión:

- a) Fecha aproximada de iniciación de operaciones normales;
- b) Capacidad de operación;
- c) Producción exportable;
- d) Empleo adicional generado;
- e) Importación de materias primas o productos intermedios en producción anual;
- f) Utilización de insumos nacionales.

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THE ANDEAN PACT

# The pious hopes are fading

BY A CORRESPONDENT IN LIMA

THE Cartagena Agreement, the economic integration pact between the Andean nations of Colombia, Chile, Peru, Ecuador and Bolivia, has hit what may be its first major crisis since the Agreement was signed last June. The trouble has arisen over the drawing up of a common policy towards foreign capital, technology, patents and royalties, which must be adopted by all five countries. According to the official integration schedule, this policy should be approved by December 31, ready to be put into practice on June 30 next year. It now looks as though this target will not be reached.

A regional policy toward foreign investments is the first really important political decision the member countries have been called upon to make. Up till now, the Andean Group bureaucracy has been going about the business of economic integration in a quiet, unobtrusive, uncontroversial way, without attracting much attention to itself or stirring up much excitement.

interests when the chips are down.

The conflict has been generated around a draft proposal for the common policy toward foreign capital which was prepared by the Junta after consultation with leading economists from many countries. If approved, the proposals would

time-limits fixed for a controlling interest in all foreign-controlled companies to be transferred to nationals of the country in which they operate.

The proposal has been termed unrealistic in American business circles. The effect is bound to be a dampening one on foreign investments in the area, it is said, because the usual time-limit of 10 years for foreign companies to revert to joint control is regarded as too short to encourage many companies to commit large capital inputs to starting new ventures, or even expanding existing ones. Foreign banks are given only three years to transfer 60 per cent. of their shares to nationals or go out of business.

relatively more stringent Peruvian legislation—for instance, they would like to see the Peruvian system of profit-sharing and progressive worker participation in the running of industry extended to the other countries.

On the other hand, strong objections have come from Colombia, which has a conservative Government and a traditionally tolerant attitude toward foreign investments. This disagreement, which was not altogether unexpected, came out into the open after the November meeting of the Commission.



## Opinion

Raúl Arbaláez, the Colombian delegate to this meeting, announced on his return to Bogotá that Colombia could not accept the proposal as it stands, because it would mean involving the country in a series of nationalisations just for the sake of it. This official opinion was echoed at a meeting of Colombian bankers in Medellín, who issued a statement declaring that the proposal would discourage foreign investments in the Group, and involve Colombia in the expropriation of foreign companies, as has already happened in the other countries.

Clearly, Colombian Government and business leaders regard nationalisations and expropriations as a bad thing, and definitely do not want to get involved. They are quite happy to let Colombia's foreign investment-led boom go on just the way it is. Ecuador has made no statement either way, but is probably giving tacit support to Colombia.

So, it looks as though the Andean Pact countries are divided into two fairly distinct groups on this issue, determined by fundamentally different political outlooks. It is not easy to see how they can be reconciled within the present framework of the Cartagena Agreement.

Meanwhile, Junta officials present a blandly confident exterior and point out that there is still one more meeting to go this year, beginning in Lima on December 14, before a decision has to be taken.

The section of the proposal on technology and patents also has far-reaching implications. As with credits, reinvestments, and remittance of profits, these are to be closely controlled by the authorities of the respective countries, and, in the case of imported technology, detailed evaluations are to be made of the likely economic impact of any new input before it is to be allowed in. The aim is to break the area's dependence on foreign sources of technological progress, and to increase the countries' capacity to generate their own. All forms of "tied" technology would be banned—that is, contracts stipulating that the products must be sold to certain buyers, who also supply the capital goods, personnel and raw material.

Similarly, restrictive clauses in patent contracts would have to go, meaning, among other things, that the Andean patent-user would be free to export products made under licence. This is not the case at the moment, and foreign patent-holders might be expected to withdraw them if the proposal became law.

The basic outline of the proposal is accepted by Peru, Chile and Bolivia, all of which have left-of-centre Governments committed to nationalist policies. Peruvian businessmen have told their Government that they are prepared to accept the proposal, too, with some modifications, to ensure that Peruvian industry is not left at a disadvantage by the

become law in all five countries of the Andean Group.

The proposal, presented to the Commission in October, but not discussed by that body till the November meeting in Lima, bears a close resemblance in many important respects to the Industrial Law introduced a few months ago by Peru's military Government.

There are the same limitations on private foreign investments, to bring them into line with national development goals, the same reservation of basic industries for development by the State, the same systems of

## Products

The permanent secretariat (Junta), installed in a large, rented building in a Lima suburb, has worked away, drawing up lists of products to be included in the tariff-cutting programme due to begin on January 1, organising round-table conferences for experts on Customs nomenclature and the like. Occasionally, the Commission of the Cartagena Agreement, the top executive body which is made up of a delegate from each of the member countries, has been meeting in Lima to approve, almost automatically, the Junta's proposals, and all concerned have invariably reaffirmed their faith in the doctrine of integration and declared that everything was going fine.

Now integration has for the first time been taken out of the realms of technical meetings on customs duties, exempted products, and so on, and involved the political aims and ideas of the member Governments. The indications are that pious hopes are no match for national

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  - 3. Mr. Gustin
- (25)  
COW

27 November, 1970. 1/xii

(I have an not; pl  
explain - orally)

It was very nice to see you again at Buenos Aires.

I imagine you are well briefed on the developments in the Andean Group on the foreign investment issue, responsibility for reporting which has rested mainly with Lima. I think it likely that the Foreign and Commonwealth Office will have copied to you my telegram No.239 of 25 November which, although it dealt with a separate matter, gives the latest estimate from here on how the issue will go next month. If they have not copied it you may care to ask them about it.

I enclose an extract from an article on Colombia and the Andean Group by Rodrigo Botero whom, I expect, you know. He was former Economic Adviser to the Presidency. It is not a bad example of the broader approach of the better-informed Colombian official or businessman. But, of course, what you and I are afraid of is, first, the narrower, nationalistic approach which will certainly have some weight in Colombian decision-making and, second, the sacrifices which Colombians may feel they have to make on some elements in a package deal in order to gain other advantages from their Andean neighbours.

I am copying this letter and its enclosure to Wiggin at the F.C.O., Jones at the Treasury and Magor at the Board of Trade.

(T. E. Rogers)

G. J. MacGillivray, Esq.,  
Bank of England,  
London, E.C.2.

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Extract from article in "El Espectador" of  
26 November by Rodrigo Botero

We should point out that circumstances in Colombia are quite different (i.e. from the case of Chile and Peru with their desire for the nationalisation of foreign investment). Our principal export commodity, coffee, is fully controlled by Colombians. Both in the manufacturing and financial sectors, domestic capital predominates and in the petroleum sector there is an undisturbed co-existence of foreign private concerns and Ecopetrol, the state entity. Furthermore, the existing regulations and particularly the foreign exchange law and subsequent measures provide the Colombian government with the necessary tools to protect national interests and to obtain, in its negotiations with foreign investors, favourable terms as regards profit remittances abroad, technological exchanges, impact on the balance of payments, and employment level.

There is not in Colombia a consensus on any urgent need to nationalise locally established foreign investment and it seems doubtful that this can be achieved in the remaining five weeks of this year.

Apart from the ideological issue, it may be asserted that the proposed foreign capital legislation as at present contemplated would prove undesirable from the standpoint of the balance of payments, generation of employment, and mobilisation of savings which are considerations of high priority in our economic policy.

As to trade liberalization, the Committee operating under the Pact seems inclined to a system of industrial development programmes negotiated product by product rather than to an overall liberalization programme. This has several disadvantages. It would lead to endless negotiations, such as those that have rendered LAFTA inoperative. It introduces rigidity into the process of sub-regional industrialization and eliminates the stimulus which would be given to the economy of the area by a rapid increase of reciprocal trade flows. It amounts to putting a brake on integration, by using sub-regional planning to thwart it, and to depriving the Andean Group of a large degree of its vitality and, therefore of its attraction.

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If our partners in the Andean Group adopt a flexible and constructive attitude formulas could be found which would do away with a confrontation within the Committee next month. There could for instance be agreement on a technical extension of the maximum period for approving the statute on foreign investment to permit consultations between governments. The part dealing with already existing investments should be dropped from the draft statute leaving each country at liberty to apply its own criteria in this respect. It might prove less divisive to attempt a common policy on future investments. We must also continue to insist on the automatic and general liberalization of reciprocal trade as a fundamental part of the process of integration.

Colombia has not changed her position in respect of integration. Her change of government has not invalidated the criteria which prompted her to promote sub-regional integration or the general objectives sought by the Pact. We hope that the commercial and economic objectives of the Agreement will continue in force for all member countries and that the pursuit of them will not be interfered with by political considerations. This is our very sincere desire.

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Kinch ECGD  
John  
Jones Treas  
Capt. Bailey. Cabinet Office.

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CHILE AND THE ANDEAN MARKET

In the Ambassador's despatch N° 1/2 of 17 November he said that he would be reporting separately on Chilean relations with the other countries of the Andean Group.

2. President Allende has repeatedly confirmed that his Government will maintain all obligations which seek to intensify Latin-American integration and are thus favourable to Chile. He has said that the Andean Group is a concrete expression of the development of Latin-American integration and that all schemes which contribute to this could count on Chile's support. His wish was to bring about effective integration with the ultimate goal of the participation of all the countries of Latin-America.

3. Allende elaborated on this line during the course of a recent press conference when he repeated that it would be an obligation of his Government to fulfill the promises emanating from the Cartagena Agreement. He had been pleased to note how member countries with contrasting forms of government had already shown their keenness to defend what had been called "National Economic Frontiers". Although one or two small modifications might have to be made to the draft agreement already accepted by the various signatories, he thought that the agreement would reflect a positive step towards the economic independence of the member countries and towards the limitation of foreign capital which distorted their economies and which extracted exorbitant profits.

/4. ...

J. Robson, Esq.  
American Department  
Foreign and Commonwealth Office  
London S.W.1

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4. Allende summed up his remarks by saying that his Government would do everything possible to strengthen LAFTA and the Andean Pact. It would take with it its own ideas which would benefit the people and not certain enterprises, monopolies and investors. He mentioned that he had discussed the Pact with the ex-president of Colombia, Carlos Lleras Restrepo, and that the latter, despite his different political persuasions, had confirmed his confidence that the Chilean Popular Government would adhere to the Cartagena Agreement, if only because it was desirable and necessary for their two countries and for Latin-America generally. "And so it will be", said Allende.

*Yours ever,  
Bill McQuillan*

(W.R. McQuillan)

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FINANCIAL TIMES

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### Andean Pact plan on foreign investment

BY HUGH O'SHAUGHNESSY

RESTRICTIONS severely limiting foreign investment in the five countries of the Andean Pact group—Colombia, Ecuador, Peru, Bolivia and Chile—are expected to be adopted shortly.

At a meeting of the technical Board of the Andean Pact group proposals were published for further consideration by the group's commission or ruling body which would require foreign interests to divest themselves of majority control of companies operating in any of the five countries.

Existing foreign companies would be given 10 years (in the case of the less developed Bolivia and Ecuador 15 years) to dispose of 51 per cent. of the share capital of their undertakings to local interests. Banks, insurance companies, transport undertakings and a number of others would have to ensure a local shareholding of no less than 60 per cent. and would have only three years (in Bolivia and Ecuador six years) to do it.

New foreign investment would be barred from basic industries, such as iron and steel, petroleum, banking, insurance, publishing, TV and radio, publicity and the public services. Also it would not be allowed either in those activities already considered to be reasonably covered by existing companies or in companies at least 80 per cent. controlled by local interests.

The proposal, termed the Cartagena Agreement, will have to be ratified next month by the Andean group commission and is scheduled to go into effect on the first day of next year.

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TO QUITO  
13 NOVEMBER 1970

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PLEASE PASS FOLLOWING TO QUITO AS MY TELNO 16  
YOUR TEL 151: ANDEAN PACT  
PLEASE SEE PARAGRAPH 5 OF MAC DONALD'S LETTER ECO 6/2  
OF 2 OCTOBER TO CAMELL COPIED TO LEWTY. PERUVIAN  
TIMES OF 30 OCTOBER CARRIES ACCURATE SUMMARY OF PROPOSED RULES.

2. MEETING HAS BEEN HELD IN CAMERA AND THERE HAS BEEN NO PRESS  
COMMENTS OR OTHER INFORMATION AVAILABLE. WE HAVE NOT  
YET BEEN ABLE TO MAKE CONTACT WITH ECUADOREAN DELEGATION.

MR. MORGAN [REPEATED AS REQUESTED]

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QUITO TO FOREIGN AND COMMONWEALTH OFFICE

QUITO TELEGRAM NO.M151 TO LIMA OF 10 NOVEMBER 1970

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ADDRESSED TO LIMA TELNO M151 OF 10 NOV RFI FCO, DEPARTMENT  
OF TRADE AND INDUSTRY, BANK OF ENGLAND AND BOGOTA.  
FCO PL PASS ALL.

ANDEAN PACT

I WOULD BE GRATEFUL IF YOU COULD KEEP ME AS FULLY INFORMED AS  
POSSIBLE ON CURRENT MEETING OF CARTEGENA PACT COUNTRIES  
IN LIMA ON FOREIGN INVESTMENT.

2. REPORTS ARE APPEARING IN QUITO PRESS THAT CONFERENCE  
INTENDS TO PROHIBIT FOREIGN INVESTMENTS IN BANKS OR  
INSURANCE; THIS IS ONLY ONE EXAMPLE OF CONTENTIOUS  
REPORTING.

3. BRITISH INTERESTS HERE ARE DIRECTLY INVOLVED, AND I WOULD  
LIKE TO PASS ON AS MUCH ACCURATE INFORMATION TO THEM  
AS POSSIBLE AND AS SOON AS POSSIBLE.

4. ECUADOREAN DELEGATION BURNEO, MINISTER OF PRODUCTION  
AND CORREA HEAD OF PRIVATE INVESTMENT COMPANY COFIEC  
ARE FIRMLY OPPOSED TO MOST OF PROPOSALS MADE BY DRAFTING  
COMMITTEE. THEY ARE KNOWN TO ME AND HAVE MY CONFIDENCE.  
YOU MAY HAVE AN OPPORTUNITY OF EXCHANGNING VIEWS  
WITH THEM.

MR. MENNELL [REPEATED AS REQUESTED TO LIMA & BOGOTA]  
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ENGLAND]

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American Department

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(AL6/10)

10 November 1970

Relations with Andean Group

Thank you for your letter of 29 October reporting your discussion with Dr. Silva about our relationship with the Andean Group.

2. We and the D.T.I. agree with you that it would be best at this stage to go for the less formal liaison arrangement. You may therefore wish to go ahead on that basis.

(C. D. Wiggin)

H.T. Morgan, Esq., CMG,  
LIMA.

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P. 9

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29 October, 1970.

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Whitcomb needs

Dear Charles,

Thank you for your letter (AL 6/10) of 25 September about the possibility of appointing an observer to the Andean Group's secretariat in Lima. The Group have been absorbed, during the earlier part of this month, in one of their periodic working sessions. But I called on the Secretary, Dr. Javier Silva Ruete (Peruvian) on 27 October and had a useful talk with him.

2. The present position as regards observers and the other external relations of the Group is as follows. Only Italy and the Inter-American Development Bank have formally appointed observers. The Italian observer is the Ambassador in Lima. Dr. Silva told me that the Italians have been developing a particularly intense relationship with the Group and have sent no less than four missions to visit the Junta and secretariat in Lima this year, as well as offering credits, etc.

3. The other form of relationship which the Group have developed is what might be called a liaison arrangement, whereby the Group agree to keep other countries or organisations supplied with full sets of their documents, except those which are restricted. They have such an arrangement with Argentina, Spain, Canada and Japan, as well as some international organisations. Oddly enough, Argentina is the only non-Group Latin American country with which the Group have any official relations at all, although they naturally have a fairly close relationship with LAFTA in Montevideo. The United States has no formal relationship with the Group; this is at the US Government's own wish, Dr. Silva told me, to avoid any charge of interference in the Group's affairs. But a member of the US Embassy has recently been appointed to maintain a more or less full-time liaison with the Group's headquarters, so that the relationship is in practice close.

/s/ Dr.

C. D. Wiggin, Esq., C.M.G., D.F.C., A.F.C.,  
American Department,  
Foreign and Commonwealth Office.

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4. Dr. Silva said he could see no difficulty about our entering into whichever form of relationship we might choose. The procedure in either case would be to address a note to the members of the Junta, the three-man body which performs the functions of a Secretary-General. If you wanted to appoint an observer, they would evidently expect it to be me myself, following the Italian precedent. Either way, Dr. Silva said, I and my staff would be at fullest liberty to maintain contact with the Junta and the Group secretariat at all levels.

5. I thanked Dr. Silva for all this information and said I would let him know in due course what you decided to do. I thought personally that you might prefer to begin with the less formal liaison arrangement mentioned above, since it would presumably always be possible to go on to appoint an observer later. Dr. Silva agreed. I think we might be wise to begin slowly like this, unless we are prepared to go some way at least towards matching the activity of the Italians. I imagine you are not in fact thinking of offering technical missions or credits to begin with, and it might therefore be more prudent to rest content with the informal liaison agreement, which should give us just as much chance of spying out commercial opportunities.

6. I am impressed by Dr. Silva and still more, on admittedly brief acquaintance, by the three members of the Junta. All four seem to me not only able and purposeful, but also down-to-earth. We shall do our best to get as close to them as we can, under whatever form of relationship you prefer.

*Yours ever,*

*H. T. Morgan*

(H. T. Morgan)

cc: Chanceries at:  
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La Paz  
Quito  
Bogota  
Montevideo  
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**THE FIRST SECRETARY  
(COMMERCIAL)**

**BRITISH EMBASSY  
LIMA**

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Lima, 29 October, 1970

Andean Group: Second Extraordinary Meeting  
of the Executive Commission

The second extraordinary meeting of the Andean Group's Executive Commission - the supreme Council of the Group - ended in Lima on 21 October. A representative of Venezuela attended as an observer in addition to delegates from the five member countries. The meeting was a difficult one and was overshadowed by a dispute between the least developed countries, Bolivia and Ecuador and the most highly developed members, Chile and Colombia, about respective shares in the development of the petro-chemicals industry. The Commission finally side-stepped the issue by asking the Board to prepare a draft revised programme for petro-chemicals, giving priority to Bolivia and Ecuador, which it will consider by 15 March 1971.

2. The petro-chemical programme which the Andean Group had previously adopted was one negotiated in early 1968 by the members of the Group and Venezuela under the auspices of LAFTA. Since then new oil resources have apparently been discovered in Bolivia and the Gulf Oil Company there has been nationalised; all of which has made the Bolivian Government anxious to increase its share in petro-chemicals. The Bolivians wish to secure authority to manufacture more products for the whole group than the original agreement had allocated to them. (They are said to be particularly interested in resins and polymers, notably polyethylene). According to press reports, which may have been deliberately spread by the Bolivian Government to bring pressure on their partners, Bolivia is prepared to withdraw from the Pact if she does not receive satisfaction on the petro-chemicals issue. Ecuador, which I understand has made an equal if not greater oil discovery, by supporting Bolivia was able to secure agreement that she too would receive an increased share in the revised petro-chemical programme.

3. This dispute appears to have distracted the meeting from devoting sufficient attention to other important questions which, according to the Andean Group timetable (set out in my letter ECO 6/2 of 11 August to Simpson, not to Lynch or MacGillivray), must be dealt with by 31 December. The

/meeting

M.C. Camell Esq.,  
Commercial Relations & Exports Department,  
1, Victoria Street,  
LONDON S.W. 1.

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meeting agreed on the initial reduction of tariffs between member States to provide the baseline from the automatic reductions will continue; the line chosen was the lowest existing level in Peru, Chile or Colombia or 100%, whichever is the lower. But this was a purely technical exercise and hardly warranted discussion. The far more difficult task of bargaining over which products will form part of development programmes and which will be allowed as exceptions was not attempted. But some progress was reported on the drawing up of a common external tariff.

4. The Commission also approved regulations concerning the election of a 30 man advisory board (3 workers and 3 employers from each country) to represent the views of the private sector before the Group.

5. From our point of view the most important questions concern the treatment of foreign capital with the Group. Little progress was made in this field but a paper, containing a draft Convention on the subject, has been submitted to members for discussion at the Commission's next meeting on 9 November (the Convention is supposed to be concluded by 31 December). In a Conference given to leading industrialists on 26 October General Luis Barandiaran, Head of the Peruvian Government Oficina Nacional de Integracion (ONIT) is reported to have given partial details of this paper's contents. According to Barandiaran no new direct foreign investment will be allowed in the service sector (water, sewage, lighting and power) not in insurance, banking, financial institutions, internal transport, publicity, radio, television or newspapers. Increases to existing investments will be allowed to maintain economic efficiency. But foreign or direct investment in these sectors will have to be transformed into joint ventures with at least 60% local capital participation within 3 years in Colombia, Chile and Peru and within 6 years in Bolivia and Ecuador. In exchange, foreign investors who remain will have free access to internal credit and to areas of economic activity reserved for national enterprises. We hope before long to obtain more complete information about this paper, which we understand will also lay down principles to govern the right of nationalization of foreign investment after capital has been amortized and a reasonable profit taken (what is called in Peru the "Velasco doctrine" incorporated in the new industrial law.)

6. Peruvian officials have for some time been telling us of their confidence that other member countries will adopt versions of Peru's new industrial law. The Minister of Industry said the same to the Ambassador last week, and it was borne out when the Secretary of the Andean Group organization told the Ambassador that the Foreign Ministries of the other countries, including specifically Colombia, had signified their

/acceptance

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acceptance of the general principles of the draft Convention mentioned above (though he also mentioned the importance to Colombia of the exceptions which the draft allows). Certainly Peru will be at a considerable disadvantage if the others do not follow her lead. The proposals outlined above clearly owe much to Peruvian thinking and their partial publication at this stage may well be designed to apply pressure on Peru's partners. The recent Government changes in Chile and Bolivia are of course expected to make Peru's task of persuasion much lighter and it was no doubt more than coincidence that discussion of the draft Convention was deferred until after Allende takes office.

7. The Peruvian Industrial Plan for 1971 to 1975 (details of which have already been reported to the Board of Trade) is further evidence of the tough bargaining which lies ahead over the allocation of industries between member countries. Although not even Ministry of Industry officials expect all the projects to get off the ground it is openly admitted that the Plan is designed as Peru's optimum bid for the allocation of industries. Several projects which would compete with the existing industries of other members are almost certainly bargaining counters; projects which are known to compete with future planning of other members are given immediate priority while others which do not compete in any way are left until 1974 or 1975. It is difficult to see how, with such tough bargaining in prospect, the tight schedule of the Pact can be adhered to.

(J. G. MacDonald)

c.c.  
H. Lewty - Quito  
I.F.S. Vincent - Caracas  
J.T. Hyslop - Bogota  
I.A. McLean - La Paz  
K. ELangham - Santiago  
American Department FCO  
H.G.B. Lynch - E.C.G.D.  
G.J. MacGillvray - Bank of England

JGM/cmp.

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Information only/Action on  
Para(s)

17

Extract from Quite letter (TEH-JM)  
dated 22/10/70

Temp  
Andean  
Pact file

11. Throughout the visit we asked various people, including the Peruvian and Chilean Ambassadors, what impact they thought recent developments in Chile and Bolivia would have on the Andean Pact. The Ambassadors were moderately optimistic about the Andean Pact taking the form which was intended: Government officials, on the other hand, were comparatively relaxed and thought that the Pact would follow its predestined course and that Ecuador would be able to benefit from it without surrendering its position in regard to the guarantee of foreign investment. Obviously the Government officials were relying more on Colombian support than on that of their southern neighbours.

Noted

B.U. 20 Nov. (in file 15)

*[Signature]*  
20/11 p.c.

*[Signature]*  
P.C. 20/11

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Information only/Action on  
Para(s)

16

c.c. Mr. K.D. Jamieson, Export Promotion Department,  
Foreign & Commonwealth Office, London, S.W.1.



RECEIVED IN  
Massey-Ferguson (Export) Limited  
23 OCT 1970

*American Department*  
*RE EPI*

*Lth*  
*ps.*

Massey-Ferguson House  
33 Davies Street, London, W1  
Telephone: 01-493 9481/7

21st October, 1970.

His Excellency Peter Mennell Esq., CMG., MBE,  
British Embassy, QUITO,  
c/o Outward Bag Room,  
Foreign & Commonwealth Office,  
LONDON, S.W.1.

Original at:  
This Copy for:  
Information only/Action on  
Para(s)

I was away on leave when your letter of 1st October arrived about the possible manufacture or assembly of tractors in Ecuador as part of the industrialisation programme of the Andean Pact.

Our Director Special Operations who is responsible for this branch of activity throughout the world has written to our General Manager for South America telling him of the information you have kindly supplied and suggesting that he get in touch, as recommended, with the Departamento de Integracion. We imagine that Colombia, Chile and Peru will probably also be making their individual bids for tractors and meanwhile we ourselves have been in touch with Venezuela about the possible local assembly/manufacture of tractors and diesel engines in that country. If and when Venezuela accedes to the Andean Pact, it would obviously be from a position of strength if such industrialisation were already established in that country.

Do please get in touch with me when you are next on leave. I should very much like to meet you again. As you say Charlotte and Nigel are now happily established in the U.K. at their cottage down in Hampshire which Nigel visits every week end, from his work in Personnel Policy Department.

I was terribly sorry to hear of Mr. A.F. Proctor's death. As I expect you know he retired from the Mitchell Cotts Group Board last year and I have not seen him since then. He was such a nice man and I am glad I knew him.

ECA:smf

Edwin Chapman-Andrews

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15

American Department

(AL 6/10)

25 September 1970

In his letter of 9 February, David Muirhead supported a suggestion originally put to Fred Mason by Gabriel Valdés that commercial opportunities emerging within the Andean Group might most quickly be spotted by the appointment of an observer to the Group's Secretariat in Lima, and proposed that a member of his staff be so designated.

2. I am afraid that Muirhead's letter got buried in the "machine". (Fortunately his suggestion was relatively timeless). However, I am now writing to say that we and the Board of Trade think that, subject to your views, there could be merit in the idea. If you support Muirhead's proposal, would you sound out the Group Secretariat informally on the modalities? (We should also be interested to know if any other non-Latin American countries have appointed observers, or contemplate doing so - David Muirhead mentioned the Spaniards and the Italians). But you should not at this stage make a formal proposal to the Secretariat for such an appointment.

(C. D. Wiggin)

H.E. Mr. H.T. Morgan, C.M.G.,  
LIMA.

Copied to:-  
Mr. T. Haldyard,  
SANTIAGO.

Mr. E.W.M. Magor, EMG, OBE, CRED, BOT.

Mr. Jackson,  
MONTEVIDEO.

*[Handwritten signature]*  
28/ix p-2

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THE NATIONAL ARCHIVES



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*Pl. Entire*



**BOARD OF TRADE**

(14)

Commercial Relations and Exports Department  
1 Victoria Street, LONDON S.W.1  
Telex: 27366 Answer Back: BOTHQ LONDON  
Telegrams: Advantage London S.W.1  
Telephone: 01-222 7877, ext.

Out **reference:** CRE 21661 G  
Your reference: AL 6/10

J K Hanna Esq  
American Department  
FCO

RECEIVED IN **REGISTRY No. 18**  
14 SEP 1970  
*AL 6/10*

September 1970

(13)

I am replying to your letter of the 3 September to Charles Camell, as he is on leave.

2. Gerald MacMahon's copy of David Muirhead's letter of the 9 February was passed to Camell for action, but appears to have been put away through oversight, but I agree with you that the idea is timeless.

3. We support the former Ambassador's suggestion that one of the Embassy staff in Lima should be accredited to the Secretariat of the Andean Group, if his successor agrees. It is not our impression here that the Commercial Secretariat is so hard pressed that the additional work involved would cause an intolerable burden.

*Yours sincerely  
Walter Magor*

E W M Magor

*Now see draft  
JR 17/xi  
p. 4.*

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American Department

13

(AL 6/10)

3 September, 1970

I enclose a copy of a letter which David Muirhead sent us before he left Lima suggesting that it might be a good idea to arrange for a member of the Embassy staff to be accredited as an observer either to the Secretariat of the Andean Group or to the Board which supervises its activities. A copy of the letter was sent direct~~ly~~ to Gerald MacMahon.

2. I see from our file that a draft letter seeking Walter Magor's views on this proposal was <sup>circulated</sup> within this Office at the time. For some unaccountable reason it was never sent. I am sorry about this but since the idea is fairly timeless, I do not think any great harm will have been done. We should, however, be glad if you would now let us know what you think of the suggestion and if you see merit in it we propose to ask Muirhead's successor in Lima whether it also enjoys his support, and, if so, whether he feels that the Embassy staff can take on the extra commitment. I do not think it would be very exacting or time-consuming but it is a little difficult to say from here how the commercial staff in Lima are placed.

(J.K. Hanna)

M.C. Camell Esq.,  
C.R.E.5,  
Board of Trade.

*[Handwritten signature]*  
9/ix p.a.

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RESTRICTEDBRITISH EMBASSY,  
LIMA.

GPA

9 February, 1970.

My dear Charles,

Towards the end of last year, Fred Mason was good enough to write to tell me about a suggestion from Gabriel Valdes that various commercial opportunities within the Andean Group could most quickly be spotted by attaching an observer to the Secretariat of the Group, which has its headquarters in Lima.

2. I agree with this idea, and think it should be followed up, if possible, by accrediting a member of this Embassy (perhaps the Second Secretary in Chancery) as an observer either to the Secretariat or to the Board (which is the technical organ of the Group, responsible for supervision of the Secretariat's activities).

3. The three members of the Board have been elected, but it is not yet working full-time. The Secretariat has a Secretary-General, a Peruvian who is well-known and well-disposed to us, but little else; he has no proper office accommodation, and has only recently begun to advertise for staff. We have a good opportunity to get in early and establish relations with the Andean Group's professional staff.

4. The Spanish Embassy, and I think the Italian, have approached the Peruvian Ministry of Foreign Affairs with requests for agreement to appoint observers. The Ministry have shown interest in the proposal, even though the Andean Group's Charter makes no provision for observers; but a final decision rests with the Group as a whole. I do not expect that any West European country, including ourselves, would have much difficulty in being able to appoint an observer.

5. I am sending a copy of this letter to Mason at Santiago, to MacMahon in the Board of Trade, and to Jackson in Montevideo in case experience with L.A.F.T.A. offers any precedent.

Yours ever,

(D.F. Muirhead)

C.D. Wiggin, Esq., C.M.G., D.F.C., A.F.C.,  
American Department,  
F.C.D.RESTRICTED

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Reference.....

Mr Hendrie

Some months ago Mr Mushead (then in  
 line) suggested that a member of the  
 Embassy staff in home should be  
 accredited to the Indian Pact Secretariat  
 in home. We asked Bob for comment.  
 Did we ever get their?

12/10/51

Registry ?

*[Signature]*  
1958

~~Mr [Name]~~

Registry ones.

Mr Brown's minute of 5 March.  
/ J [initials]

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I can find no trace of an outgoing letter to Mr. Meigs; can you confirm by reference to the correspondence register that the letter was sent.

*[Signature]*  
26/11/51

Mr Hanna?

I can find no record of an out-going letter to Mr Meigs, and, as there is no draft on the file, can only conclude that the draft was circulated for views and was not returned.

*[Signature]*  
20/11/51

*[Signature]*  
p.c.

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(6/19)  
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REGISTRY No. 18  
27 AUG 1970  
*Am 6/10.*

BRITISH EMBASSY,  
QUITO.

22 June 1970. ???

*Enter (2)  
Mrs Macoll  
Jan 8/19  
Economists*

*Pa. 11/5  
26/8*

Dear Department,

The First Meeting of Central Banks of the Andean Group took place in Quito from 15 to 19 June 1970. The next ordinary meeting will be in La Paz on a date yet to be announced. Should an extraordinary meeting be needed, it will be in Bogotá.

2. The Meeting was chaired by Joaquín Zevallos Menéndez, General Manager of the Ecuadorean Central Bank. Among resolutions passed were :

- (a) to establish a Working Group to study possible ways in which Government and Central Banks can contribute to the channelling of external and internal savings towards productive activities. The Group's agenda includes:
  - (i) study of the growing foreign unit trust (mutual fund) activity, its causes and effects, and possible ways of preventing the consequent loss of financial resources;
  - (ii) study of ways and means to stimulate the Andean Development Corporation to issue and guarantee securities which would be attractive to savers;
  - (iii) study of ways and means to facilitate transfers of capital, interest and dividends among members of the Andean Pact;
- (b) to recommend to member Governments and Central Banks the establishment and strengthening of national financing procedures, export promotion (including export credit guarantees), harmonisation of export promotion methods, and subregional financing of exports.
- (c) to establish a Working Group to: (i) study the use of bilateral non-convertible balances and the possibility of subregional coordination of trade with countries using this system.

Yours ever,  
*H. Lewty*  
(H. Lewty)

American Department,  
F.C.O.,  
London, S.W.1.

Copied to:

- |                    |                    |               |
|--------------------|--------------------|---------------|
| 1) C.R.E.D.        | <u>Chanceries:</u> |               |
| 2) Bank of England | 5. Bogotá          | 8. Santiago   |
| 3) H.M.Treasury    | 6. La Paz          | 9. Washington |
| 4) E.C.G.D.        | 7. Lima            |               |

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26 AUG 1970  
ALC 6/10.



BRITISH EMBASSY,  
CARACAS.

21 August, 1970.

low 25/8

45/16)

copy on  
ALC 6/360/1

Interesting

Mr. [unclear] (para. 5.)  
Mr. [unclear] 21/8  
Enter

Alan John

Mr. [unclear] 1/ix

Visit of Chilean Foreign Minister to  
Venezuela

The Andean Group

Mr. [unclear] 25/8  
Mr. [unclear] 3/9  
Mr. [unclear] 4/9

The Chilean Foreign Minister, Dr. Gabriel Valdés, paid an official visit to Venezuela from 9 to 13 August. The main purpose of the visit was evidently to discuss Venezuela's position vis à vis the Andean group.

2. An exchange of visits between the Foreign Ministers of the two Christian Democratic governments in Latin America has been on the agenda for some time. When the two Foreign Ministers found themselves together in Buenos Aires for the CECLA meeting in July, Calvani accompanied Dr. Valdés to Santiago for a brief visit on his way home. Then they coincided again at the presidential inauguration in Bogota in the first week of August and Dr. Calvani persuaded Dr. Valdés to return to Caracas direct with him from Bogota and spend three working days here.

3. Dr. Valdés had a long discussion with President Caldera, whom he has known personally for a long time, about the future of the Andean Group. As you know, when the Andean Pact was signed in Colombia last year, Venezuela stayed out because the other members would not accept proposals to protect the Bolívar - at present a very hard currency freely convertible with the dollar - against erosion by the weaker currencies of other members of the group, which are tightly controlled. The Venezuelans also held out for preferential treatment for a wide range of products manufactured here. The other members of the group left Venezuela with the option to adhere to the Pact on the existing terms until the end of this calendar year, although there is some uncertainty about how fixed a deadline this really is.

4. As a result of Dr. Valdés' visit, the public position of the two countries regarding the possibility of Venezuelan

- 1 -

J. Robsen, Esq.,  
AMERICAN DEPARTMENT,  
F.C.O.

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membership remains unchanged. The press has represented Chile as pressing Venezuela to re-consider her conditions for entry, while Venezuela, in the words of Dr. Calvani, is continuing to do all in her power to obtain special conditions. Meanwhile the press has been pointing out that nobody has done a thorough study of the economic and financial implications for Venezuela of entry in the Group.

5. According to the Chilean Embassy, however, the real situation is rather different. The Embassy tell us that the Chilean Government have more or less given up hope of Venezuelan membership of the group on existing terms in the foreseeable future: the strength of the influence of the Venezuelan private sector on Venezuelan official policy is just too strong. They do not believe that this is likely to change significantly even if Accion Democratica return to power in 1973. They are coming more and more to the view, therefore, that Venezuela, given her stronger financial position, her Caribbean interests, the weight of U.S. investment, and her greater industrial development, will have to be treated in a different way from the other members of the group; that this is not compatible with full membership on existing terms; and that an alternative approach, involving associate membership for Venezuela on special terms, should be explored. The essence of this alternative would be that, so far as Venezuela was concerned, integration would be sought by sectors, i.e. selectively industry by industry. Thus, the group might decide that integration should be sought first in the petrochemical industry. Steel was another possibility. Under a sector by sector approach, Venezuela could be associated more and more closely with the existing members without detriment to her economy as a whole, or to her special position in industries not so integrated. Chile remained convinced of the political and economic need to bring Venezuela into working association with the group, to increase its bargaining power vis à vis other groups. This conviction was reinforced by the inadequacy of LAFTA, and by the illogicality of siting the Andean Development Corporation in Caracas unless Venezuela could be brought in.

6. The Chilean Embassy say that these ideas are Chilean at this stage, and have not been discussed - or not discussed in any detail - with the other members; but that there will be another meeting of the group soon to discuss them. It would seem desirable for us to respect the Embassy's confidence

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meanwhile. The Chilean Embassy say that this approach struck the Venezuelans as a novel and possibly useful way round the present obstacles, deserving careful study in the coming months.

7. Apparently there was very little discussion of political matters.

*Yours ever,  
Tom*

(T. C. Barker)

- 3 -

c.c. Commercial Sections at: Bogota  
Santiago  
Quito  
Lima  
La Paz  
Buenos Aires

Chancery, Washington  
J.E. Lucas, Esq., Treasury  
M.C. Cammell, Esq., C.R.E.D., Board of Trade  
C.R. Rawlings, Esq., E.C.G.D.  
G.J. McGillivray, Esq., Bank of England.

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*With the compliments of*  
**THE FIRST SECRETARY**  
**(COMMERCIAL)**

**BRITISH EMBASSY**  
**LIMA**

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Mr. Kayna <sup>11/1</sup>  
Enter

(Mrs. Macoll <sup>10</sup>  
Economist  
Mr. Currold R.D.

Lima, 11 August, 1970

RECEIVED IN
REGISTRY No. 18
7/9/70
A2 6/10

ECO 6/2

ANDEAN GROUP

A recent publication by the Peruvian Sociedad Nacional de Industrias gives a useful summary of the timetable arising from the Cartagena Pact for the creation of the Andean Sub-regional Common Market which you may like to have on record.

Before 31 December 1970

1. Agreement on the procedure for co-ordinating development plans and social and economic policies.
2. Selection of products which will be the subject of industrial development programmes.
3. Compilation of a list of products not made in the region which will be liberated from 28 February 1971.
4. The elimination of all trade restrictions.
5. The reduction of tariffs to the lowest existing level in Peru, Chile or Colombia or on the national list with a maximum of 100%. From this base line the first reduction of 10% will take place from 31 December 1971.
6. Extension of the number of items on the said lists.
7. Compilation of lists of agricultural products.
8. Designation of products from Ecuador and Bolivia to be liberated.
9. Regulations to cover foreign capital: trade marks, patents, licences, privileges.

/Before

N. G. Simpson Esq.,  
Commercial Relations & Exports Department,  
1, Victoria Street,  
London S.W. 1.

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Before 31 December 1971

1. Regulations for the uniform treatment of international companies.
2. Approval of directives for harmonizing legislation on industrial development.
3. Approval of a programme for the liberation of remaining items on the common list.

Before 31 December 1972

1. Approval of a programme to harmonize foreign trade which must be achieved by 31 December 1980.
2. The adoption of initial programmes for energy, transport and communications.

Before 31 December 1973

1. Approval of industrial development programmes on the reserved list. Those on the reserve list which are not selected will remain liberated.
2. Drafting of a common external tariff which must be approved between 31 December 1973 and 31 December 1975.
3. Products under Article 45(d) of the Agreement will remain liberated until 31 December 1973 for Bolivia and Ecuador.

Before 31 December 1974

1. Peru must reduce its list of exceptions from 450 items to 350 items and thereafter to 250 by 31 December 1979.

Before 31 December 1975

1. Renewal of list of products reserved for Industrial Development Programmes.

Before 31 December 1976

1. First reduction of 10% in national tariffs and adoption of a common external tariff.

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Before 31 December 1985

1. End of the list of exceptions.
2. There are signs of increasing activity on the part of the Government and of international officials to try and make the pact work. In this connection ONIT (Oficina Nacional de Integracion Tecnica) has published details of the first twelve decisions taken by the Commission of the Cartagena Agreement. A copy has been sent direct to the Board of Trade Library for registration with a request to forward the document to you when this has been done.
3. The decisions are mainly administrative ones dealing with nomenclature, appointments, budgets etc. However No. 12 is of wider interest as it gives details of the rates to be applied to the first list of products which are subject to a Common Minimum External Tariff. The rates have been put into effect from 14 April 1970 and members were obliged, where necessary, to increase duties to the levels specified. However concessions granted to Member Countries under the Treaty of Montevideo (LAFTA) are not affected.
4. In contrast action on the private sector front is much more uneven. Some of the better organised branches e.g. textiles, machine tools, are working hard either to try and frustrate developments which they consider detrimental to their interests or alternatively to promote those which offer some advantage in the larger regional market. Other branches are frankly apathetic or cynically doubtful that the objectives of the Pact will ever be achieved. Time will show who is right.

(J. G. MacDonald)

JGM/cmp.

c.c. Commercial Secretariats: Santiago  
 Quito  
 Bogota  
 La Paz  
 Caracas

American Department, FCO  
 Board of Trade Library  
 Tariff Section E.S.D.

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(1969 6/28)

RECEIVED IN  
REGISTRY No. 18  
22 JUN 1970  
AL 6/10.

BRITISH EMBASSY,

BUENOS AIRES.

18 June, 1970

H. Hendrie.  
pau 4?

Venezuela and the Andean Pact

16 Please refer to your letter (6/16) of 8 May to Hendrie on this subject in which you asked for some information on the Institute for Latin American Integration (INTAL). I am sorry not to have been able to write sooner.

2. I enclose a copy of INTAL's Annual Report for 1969 and of its first annual English-language Boletín de la Integración, covering the period 1968-69. We have not had time to study either of these publications closely. The bulletin looks to be quite a useful record but is rather general in character. As you will see the Institute is a department of the Inter-American Development Bank. The Institute's main goal, as described in the Bulletin is "to study the process of Latin American integration and to contribute to its acceleration through research activities, training of technical personnel, advisory services to public and private agencies in the Bank's member countries, and dissemination of technical know-how on integration matters". As we had no first hand knowledge of the calibre of INTAL's staff and the quality of their work, we made some enquiries here but our contacts, including the American Embassy, somewhat surprisingly, were able to tell us little.

3. Beyond confirming that they had recently signed an agreement with the Venezuelan organisation, Cordiplan, to which you referred, INTAL were unwilling, on the grounds of confidentiality, to let us have a copy of its text or to tell us precisely when it was reached. INTAL's study on "Venezuela and Latin American integration" is mentioned on page 34 of the annual report; pages 32-3 on the Ecuador study are also relevant.

4. I am sending a copy of this letter without enclosures to Hendrie. If he is interested in seeing the INTAL publications mentioned above, we will get copies for him.

(B. Attewell)

P. Morrice, Esq.,  
British Embassy,  
CARACAS

c.c. R.A.M. Hendrie, Esq.,  
American Department, FCO.

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Bank of England.

With the compliments of

G.J.MacGillivray

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RECEIVED IN  
REGISTRY No. 18  
12 JUN 1970  
ALG/1A

1. Enter  
2 M. Hayha. (8)  
(To circulate as necessary in Div. of FCO.)  
11th June 1970. CW  
"h"

[Dear Norman,]

Following my telephone conversation with you this morning, I had a word with Sir John Royden and lunch on the 22nd June (1.00 p.m. at the Cotillion Rooms, Bucklersbury House) would suit him well. I shall look forward, therefore, to seeing you then.

Sir John has meanwhile sent me some rough notes about British involvement and potential involvement in the agricultural sphere in certain of the Andean Group Countries - and these I am enclosing. He knows his subject and genuinely believes that the U.K. (and O.D.M. in particular) could play an important role here which could well pay substantial dividends in the medium to long term. I am sure he will be only too anxious to elaborate his thinking at lunch.

This may or may not produce results, but, in any case, I think you will find Royden a stimulating character!

With kind regards,

[Yours aye,

Greville MacGillivray]

N. Leach, Esq., C.M.G.  
Ministry of Overseas Development,  
Eland House,  
Stag Place, S.W.1.

Stimulating may be, but not a very well documented set of staccato assertions

Mr. [unclear] 16/6  
Mr. Bamford 15/6  
Mr. Tanner  
(Recommendation to [unclear]) 16/6

12/ri  
P.C.

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01-628 9111 (8 LINES)

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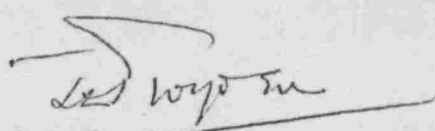
10th June, 1970.

J.G. MacGillivray, Esq.,  
Bank of England,  
LONDON, E.C.2.

Dear Mr. MacGillivray,

I am enclosing a rough idea of what could happen in the Andean Chain countries which might start somebody thinking. The most important thing is to deal with the Andean Community Corporation and any loan eventually could be guaranteed by the Andean Chain Development Bank but I would not wait for the latter to make what could be a very important political move.

Yours sincerely,

  
J.L. Royden

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GJM 10/66

The Andean Pact Countries & British Techniques in Agriculture.

Although many other countries can sell their techniques in Agriculture in tropical areas or in high cost capital intensive systems, the British are unique in their techniques of extensive low capital cost cattle and sheep farming, with intensive labour (including potatoes and millet).

The latter is the political problem of the Andean Chain countries, and any other country tackling this problem today with the help of the various governments will reap untold political and commercial rewards in 5/10 years time as a result of the population explosion.

To recapitulate the present position.

Colombia

1. Pasto Institute formed January 1966 by ODM (Ministerio de Agricultura Resolucion No. 4 of 4th January 1966)
2. 1966 SENA (Training institute) who control Pasto, try and enforce usage of N.Z. Corriedale and US Romney Marsh sheep only under US pressure. H.M. Embassy (Mr. Ziegler First Secretary) concur as frightened to argue with SENA. Correspondence with Armando Samper, Ministry of Agriculture, Mejia Salazar ICA, resulting in SENA allowing British breeds of sheep should be sent to Pasto for training Colombian shepherds, against the considered opinion of H.M. Embassy Bogota.
3. Visit of Dr. Gordon Dickson to Colombia in January 1968. Enrique Blair Minister of Agriculture; Dr. Ortiz Mendiz (ICA) were left in no doubt that American and New Zealand experts of World Bank Loan were fleecing the Colombians over that part of the World Bank Loan referring to sheep.
4. Pasto was showing the following return based on 20 Colombian pesos per kilo wool, 5 pesos per live weight kilo of lamb stocking rates 7 per hectare.

Cheviot	pesos	847	production	per	hectare
Blackface	"	1165	"	"	"
Welsh	"	980	"	"	"

at 3400 metres average height.

Comparisons. ICA farm San Jorge about same height and similar rainfall 1½ sheep per hectare:

		Total value per ewe per hectare
Corriedale	pesos	217
Romney (US)	pesos	184

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which indicates that the Blackface and the Cheviot are the most profitable breeds and ecologically correct.

5. 1970 Colombians sack the World Bank experts (US and New Zealand) and are going to rely on British breeds and techniques, but commercially we are not following this up, because the information is not available to the British Agricultural Export Corporation and British Farming - nor are their credits available.

Ecuador.

Unfortunately the terms of trade are against us and so are the Ecuadorians in consequence, but as soon as the Putamayo oil comes on flow through Esmeraldas, and the copper complex produces in Loja and Cuenca, the situation should change rapidly and we should be taking steps through ANCO (Walker Wohlerman) to put British techniques forward. Now is the moment to make some effort. Similar farming conditions to Colombia in the Andes.

Peru.

British Agricultural Mission (ODM) 1970. Unfortunately, were roasted alive by Dr. Meinhold (Director of Livestock) for their lack of knowledge of Peru as they were dealing with the dairy industry only which was unfair. However, Mr. Lumsden, the sheep expert who was with them, was a success. There are prospects of developing this angle as well as cattle, although the climatic and psychological complexes of the Indians are more intense than in Colombia where they are Mestizo. Pasto experiences are proof of what can be done.

Bolivia.

ODM are developing agricultural tropical systems in Santa Cruz de la Sierra and coffee in Sorata. The only trouble is that they do not realise that Ovando's political problem is in the altiplano and with the Indians. This is now realized by the President and ex Minister of Finance, Antonio Sanchez de Losada.

Certain indications as to future developments have been given to Alberto Valdes, Director of the Agricultural Bank in La Paz. He is hoping to get credits from the world Bank. If he does despite the Colombian debacle, the world Bank will put the wrong people there. The British Government should give credit terms, say, \$70,000 cattle and sheep cif Arica, guaranteed by the Bolivian Government over ten years.

Chile.

Chile are a law unto themselves. Reforma Agraria is run by largely theoretical college-trained farming engineers. They are paying dearly for cattle (Herefords under AIE) since they have brought parasites unknown as yet to Chilean Patagonia and so they are learning the hard way some of the stupidities of US intervention. They will jump at credits for cattle and sheep particularly in an Election year.

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As a result of the above I believe the British Government should start negotiations to provide

- (1) A 15-year loan of £5,000,000 to the Andean Development Corporation through their secretary in Lima and with the help of Jorge Valencia Jaramillo in Bogota - he should be paid well for this, for the purchase of cattle and sheep from the UK for the Andean chain countries.
- (2) A 10-year loan of £2,000,000 for the interchange of young ingenieros agronomos between the UK and the Andean countries, again through the Andean Development Corporation in Lima. I would not at this juncture ask for any backing of the various Bancos Centrales. It is a bagatelle for the UK, but the rewards in terms of future trade are enormous.

*SM*

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With the compliments of  
THE COMMERCIAL DEPARTMENT

J. Robson, Esq.,  
Foreign & Commonwealth Office  
LONDON S.W. 1

RECEIVED IN  
26 MAY 1970  
AL6/10

BRITISH EMBASSY  
SANTIAGO

Ref: Camell's letter of 24 April  
(4)

*Mr. Higgins*  
*plw*  
*17/5/70 p.c.*

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# LISTA COMUN

## PRODUCTOS DEL PRIMER TRAMO DE LA LISTA COMUN

### EFFECTOS ENTRE LOS PAISES DEL PACTO ANDINO

LA LISTA COMUN --PERFECCIONADA HASTA LA FECHA EN SOLO SU PRIMER TRAMO-- CONTIENE LA NOMINA DE PRODUCTOS QUE EN EL AMBITO DE ALALC DEBERAN CIRCULAR ABSOLUTAMENTE LIBERADOS A PARTIR DEL 1º DE ENERO DE 1973. ESE ES EL COMPROMISO VIGENTE HASTA LA FECHA, EL CUAL -- MUY PROBABLEMENTE -- SERA MODIFICADO, MEDIANTE UN PROTOCOLO, A CONSECUENCIA DE LO QUE SE ACUERDE EN CARACAS, DONDE ACTUALMENTE SE CELEBRA LA IX CONFERENCIA DE LOS PAISES DE LA ZONA.

AHORA BIEN, DENTRO DEL AMBITO SUBREGIONAL CREADO POR EL ACUERDO ANDINO, CELEBRADO ENTRE BOLIVIA, COLOMBIA, CHILE, ECUADOR Y PERU ("EL INFORMATIVO ALALC" N°344, DEL 9.9.1969), LOS PRODUCTOS CONTENIDOS EN LA LISTA COMUN, SE SOMETERAN AL SIGUIENTE TRATAMIENTO A-RANCELARIO :

COLOMBIA, CHILE Y PERU DEBERAN LIBERAR DICHOS PRODUCTOS TOTALMENTE 180 DIAS DESPUES DE LA ENTRADA EN VIGENCIA DEL ACUERDO ALUDIDO, O SEA, EL 15 DE ABRIL DE 1970, YA QUE ESTE RIGE DESDE EL 17 DE OCTUBRE DEL AÑO EN CURSO.

EN ESTE PRIMER TRAMO DE LA LISTA COMUN, BOLIVIA Y ECUADOR NO ESTARAN OBLIGADOS A LIBERAR AQUELLOS PRODUCTOS CONTENIDOS EN LA "LISTA DE VENTAJAS ESPECIALES O NO EXTENSIVAS", SINO EN LA FORMA Y LOS PLAZOS PREVISTOS EN EL TRATADO DE MONTEVIDEO Y EN LAS RESOLUCIONES PERTINENTES DE LA CONFERENCIA.

NABALALC	PRODUCTOS
01.01.1.01	Caballos de pedigree
01.02.1.01	Terneras y vaquillonas de pedigree
01.02.1.09	Los demás vacunos de pedigree
01.04.1.01	Ovinos de pedigree
02.01.2.03(05)	Lenguas frescas, refrigeradas o congeladas
02.01.2.99(05)	Riñones vacunos, frescos, refrigerados o congelados
02.01.2.99(05)	Corazones vacunos, frescos, refrigerados o congelados
03.02.0.04	Harina de pescado propia para el consumo humano
05.04.1.01	Mondongos (cuajos, guatitas)

NABALALC	PRODUCTOS
	frescos, refrigerados y congelados
05.04.2.01	Mondongos (cuajos, guatitas) salados o secos
07.01.0.01(03)	Ajos frescos o refrigerados
07.04.0.02	Hongos (callampas, setas) desecados
07.05.1.11	Garbanzos para siembra
07.05.1.21	Lentejas para siembra
07.05.1.29	Las demás lentejas
08.01.0.02(01)	Plátanos (Banana, Butuco, Guineo, Jagoncho).
08.01.0.08(02)	Nueces o Castañas del Brasil (Nueces de Pará, Bacurí)
08.01.0.09(02)	Nueces o Castañas de Caju

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THE NATIONAL ARCHIVES

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4) Santiago, martes 18 de noviembre de 1969

"EL INFORMATIVO ALALC"

N° 354

NABALALC	PRODUCTOS	NABALALC	PRODUCTOS
	(Nueces de Anacardo o Ma- rañones)	12.07.0.11	Guaraná (en polvo o en semi- lla)
08.05.0.01	Almendras	12.07.0.12	Máscula militaris, morio y semejantes para produc- ción de Salep
09.01.1.01(01)	Café crudo (café verde) en grano	12.07.0.13	Tamarindo
09.04.0.01	Pimienta (del género "piper")	13.02.1.01	Goma laca
09.10.0.03	Azafrán en rama	13.02.4.02	Bálsamo del Perú
10.04.0.01	Avena	13.03.1.02	Extracto de Piretro (Peli- tre)
		13.03.3.01	Agar - Agar
11.04.0.01	Harina de banano (Polvo de banano y banano soluble)	14.03.3.01	Ixtle de lechugilla, en bru- to
12.03.1.01	Semilla de árboles frutales o forestales (para siembra) (certificadas)	14.03.4.01	Zacatón en bruto
12.03.2.01	Semillas de flores, para siem- bra (certificadas)	14.03.4.99	Zacatón, excepto en bruto
12.03.3.01	Semillas de cebollas para siembra (certificadas)	15.04.2.21	Aceite de ballena, en bruto
12.03.3.02	Semillas de lechugas para siembra (certificadas)	15.04.2.22	Aceite de ballena, refinado
12.03.3.04	Semillas de zanahorias para siembra (certificadas)	15.04.2.91	Aceites de pescado, en bruto
12.03.3.99	Semillas de las demás horta- lizas para siembra (certifi- cadas)	15.04.2.92	Aceites de pescado, refinados
12.03.4.01	Semillas de alfalfa para siembra (certificadas)	15.07.1.10(08)	Aceite de palma (o de la pul- pa del fruto de la palma o cocotero), en bruto
12.03.4.99	Las demás semillas de prados y pastizales (certificadas)	15.07.1.12(10)	Aceite de almendras de palma (o de la almendra del fru- to de la palma o cocotero), en bruto
12.03.9.01	Semillas de tabaco para siem- bra (certificadas)	15.07.1.17(12)	Aceite de tung, en bruto
12.07.0.01	Araroba	15.07.2.10(08)	Aceite de palma (o de la pul- pa del fruto de la palma o cocotero), purificado o refinado
12.07.0.02	Boldo	15.07.2.12(10)	Aceite de almendra de palma (o de la almendra del fru- to de la palma o cocotero), purificado o refinado
12.07.0.03	Cumarú (Haba tonca, haba de sarrapia; sarapia)	15.07.2.17(12)	Aceite de tung, purificado o refinado
12.07.0.04	Ipecuana (Poia)	16.02.1.05	Lenguas preparadas y conser- vadas
12.07.0.05	Jaborandí	18.01.0.01	Cacao, en grano, crudo
12.07.0.08	Jalapa		
12.07.0.09	Polígala		
12.07.0.10	Ruibarbo		

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N° 354

"EL INFORMATIVO ALALC"

Santiago, martes 18 de noviembre de 1969 (5)

NABAL

P R O D U C T O S

NABALALC

P R O D U C T O S

18.04.0.01	Manteca de cacao (incluida la grasa y el aceite)	26.01.1.14(03)	Calcosina (Sulfuro)
18.05.0.01	Cacao en polvo, sin azúcar	26.01.1.15(03)	Calcopirita (Pirita de cobre) (Sulfuro de cobre y de hierro)
20.06.1.10	Conservas de papaya tropical, al natural	26.01.1.16(03)	Cuprita (Oxido cuproso)
20.06.2.10	Conservas de papaya tropical, en almíbar	26.01.1.17(03)	Malaquita (Carbonato básico)
20.07.1.99	Jugo de papayas tropicales	26.01.1.18(03)	Tenorita (Oxido cúprico)
		26.01.1.19(03)	Los demás minerales de cobre
23.01.1.01	Harina de carne de ballena, y harina de soluble de ballena	27.15.0.01	Asfaltita natural (Rafaelita)
23.01.1.02	Harina de pescado	28.01.4.01(02)	Yodo en bruto
25.05.1.01	Arena gruesa para construcción	28.01.4.02(02)	Yodo sublimado
25.07.0.01	Bentonita	28.04.9.05(04)	Selenio
25.07.0.02	Caolín	28.04.9.07(04)	Teluro
25.15.2.01	Mármol en bruto (en bloques, en trozos)	28.40.3.05	Tripolifosfato de sodio
25.15.2.02	Mármol aserrado, hasta 5 cms. de espesor, inclusive	29.05.1.06	Mentol
25.15.2.03	Mármol aserrado, de más de 5 cms. de espesor	29.05.1.10	Metilandrosteroniol (Mestenediol-Stenediol)
26.01.1.01(01)	Hematites rojas (Oxidos de hierro rojo)	29.13.4.03	Pregnonolona
26.01.1.02(01)	Hematites pardas (Oxidos hidratados de hierro con carbonatos)	29.13.4.99	Epoxipregnonolona
26.01.1.03(01)	Limonita (Oxido hidratado de hierro)	29.15.2.01	Acido tereftálico
26.01.1.04(01)	Magnetita (Oxido magnético de hierro)	29.22.2.02	Adipato de hexametilendiamina (Sal H)
26.01.1.05(01)	Siderita o siderosa (carbonato natural de hierro)	29.27.1.03	Acrilonitrilo
26.01.1.06(02)	Piritas de hierro tostadas (Cenizas de piritas)	29.34.0.01	Plomo tetraetilo (1)
26.01.1.09(01)	Los demás minerales de hierro	29.39.3.01	Corticosterona
26.01.1.11(03)	Atacamita (Cloruro básico)	29.39.3.02	Hidroxycorticosterona (Hidrocortisona)
26.01.1.12(03)	Azurita (Carbonato básico)	29.37.0.99	Caprolactama (sal de nylon6)
26.01.1.13(03)	Bormita (Sulfuro de cobre y de hierro)	29.39.3.99	Acetato de desoxicorticosterona
		29.39.3.99	Acetato de cloroprednisona
		29.39.4.03	Estradiol
		30.02.1.03	Suero antiofídico
		31.02.0.01(01)	Nitrato de sodio

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6) Santiago, martes 18 de noviembre de 1969

"EL INFORMATIVO ALALC"

N° 354

## NABALALC PRODUCTOS

## NABALALC PRODUCTOS

31.05.1.01 Nitrato sódico-potásico (Sa  
litre)

32.01.0.01 Extracto de acacia negra

32.01.0.02 Extracto de quebracho

32.01.0.99 Extracto de mangle y dividi  
vi

33.01.1.06 Aceite esencial de citrone-  
la

33.01.1.13 Aceite de petit-grain

33.01.1.99 Aceite esencial de palo-san  
to

33.01.1.99 Aceite esencial de cedrón-

38.08.1.01 Colofonias

38.11.1.01 Insecticidas a base de pire  
tro

38.14.0.01 Mezclas antidetonantes (Pa-  
ra utilización exclusiva  
como aditivos de combusti  
bles derivados del petró-  
leo)

39.02.1.02 Poliestireno líquido ó pas-  
toso (inclusive emulsio-  
nes, dispersiones o solu-  
ciones)

39.02.2.02 Poliestireno en polvo, gránu-  
los, escamas, trozos irre-  
gulares, bloques, masas no  
coherentes y formas simi-  
lares (inclusive desechos  
y desperdicios)

44.02.0.01 Carbón vegetal

44.23.0.01 Mosaicos para pisos (par -  
quets)

46.02.1.01 Tejidos planos de paja to-  
quilla y de paja mocora

47.01.3.02(04) Pastas químicas de madera a  
la soda y al sulfato, sin  
blanquear, de coníferas

47.01.3.04(05) Pastas químicas de madera a

la soda y al sulfato, blan-  
queadas, de coníferas

47.01.3.06(05) Pastas químicas de madera al  
sulfato, sin blanquear, de  
coníferas

47.01.3.08(07) Pastas químicas de madera al  
sulfato, blanqueadas, de  
coníferas

49.01.1.01 Libros técnicos y científi-  
cos, de enseñanza

49.01.1.02 Libros litúrgicos

49.01.1.03 Libros de sistemas Braille  
y semejantes

49.01.1.99 Los demás libros

49.01.9.01 Otros libros

49.02.0.01 Diarios

55.01.0.01 Algodón sin cardar ni peinar  
de fibra de 32mm. o más de  
longitud

56.02.2.02(02) Mechas de acetato de celulo-  
sa para filtros de ciga-  
rillos

57.03.0.01 Yute en rama

65.02.0.99 Cascos para sombreros (clo-  
ches) de paja toquilla y  
de paja mocora

69.02.3.01 Ladrillos refractarios mag-  
nesianos o conteniendo do-  
lomita o cromita

69.02.4.01 Ladrillos refractarios de  
carburo de silicio

71.05.1.01 Plata en bruto

74.01.1.01(01) Matas cobrizas

74.01.2.01(03) Cobre blister

74.01.2.02(03) Cobre negro

74.01.2.03(03) Cobre cementación

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N° 354

"EL INFORMATIVO ALALC"

Santiago, martes 18 de noviembre de 1969 (7)

NABALALC

PRODUCTOS

NABALALC

PRODUCTOS

74.01.3.01(04)	Cobre refinado electrolítico en todas sus formas de presentación (Barras, lingotes, paralelepípedos (cakes), cilindros (billets) etc.), excepto "wire bars" y las granallas		funcionamiento de máquinas, aparatos y artefactos mecánicos
74.01.3.03(04)	Wire bars	84.48.0.02	Aparatos neumáticos hidráulicos y sus controles eléctricos empleados exclusivamente para automatizar el funcionamiento de máquinas, aparatos y artefactos mecánicos
74.01.3.04(04)	Granallas		
81.04.2.01(02)	Bismuto en bruto	84.48.0.03	Aparatos neumáticos hidráulicos y sus controles eléctricos empleados exclusivamente para automatizar el funcionamiento de máquinas, aparatos y artefactos mecánicos
81.04.2.02(02)	Cadmio en bruto		
81.04.4.02(02)	Antimonio en bruto		
84.18.1.99(02)	Aparatos centrífugos "centri-cleaners", para limpieza de masa de celulosa y papel	84.49.9.01	Motosierras a cadenas y motosierras tronadoras
84.29.3.01	Maquinaria para clasificación y separación de las harinas y demás productos de la mollienda	84.57.8.01	Dosificadores de vidrio fundido (chorreadores)
84.41.1.99	Máquinas de coser exclusivamente industriales	84.59.9.99(02)	Aparatos neumáticos hidráulicos y sus controles eléctricos empleados exclusivamente para automatizar el funcionamiento de máquinas, aparatos y artefactos mecánicos
84.45.5.01	Taladradoras radiales y perforadoras para taladrar más de 55 mm. de diámetro, en acero, y más de 65 mm. de diámetro en fundición, y distancia útil de la columna al centro de husillos de más de 1.600 mm.	84.61.9.99	Válvulas automáticas y sus controles eléctricos empleados exclusivamente para automatizar el funcionamiento de instalaciones, máquinas, aparatos y artefactos mecánicos
84.45.6.01	Tornos a revólver		
84.45.6.02	Tornos paralelos universales		
84.45.6.99	Tornos verticales	85.21.1.01	Tubos de imagen para TV en colores
84.48.0.01	Aparatos neumáticos hidráulicos y sus controles eléctricos empleados exclusivamente para automatizar el	85.24.0.01	Electrodos de carbón gráfico para hornos eléctricos.

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# ACUERDOS SOBRE

# INTEGRACION EN EL PARLAMENTO LATINOAMERICANO

## CONSTITUCION DEL GRUPO ANDINO

EN BOGOTA, CELEBRO EL PARLAMENTO LATINOAMERICANO SU IV ASAMBLEA ORDINARIA EN AGOSTO RECIENTE PASADO.

SESIONO EN LAS SIGUIENTES COMISIONES: DE INTEGRACION POLITICA; DE INTEGRACION ECONOMICA; DE INTEGRACION CULTURAL Y DE EDUCACION; DE COORDINACION LEGISLATIVA, ESTATUTO Y REGLAMENTO.

POR VINCULARSE DIRECTAMENTE AL PROCESO DE INTEGRACION DE AMERICA LATINA, SE DAN A CONOCER LOS ACUERDOS DE DICHAS COMISIONES. DESTACAMOS ESPECIALMENTE LA IDEA CHILENA DE CONSTITUIR UN GRUPO ANDINO EN EL SENO DEL MENCIONADO PARLAMENTO.

### DE LA COMISION DE INTEGRACION POLITICA

- 1.- Acuerdo sobre repudio de los Gobiernos de facto y apoyo a los movimientos populares que luchan por el derrocamiento de esos Gobiernos;
- 2.- Acuerdo sobre solidaridad con los Legisladores cuyos Parlamentos han sido disueltos y de repudio a las medidas de fuerza que han privado de su legítima representación a los respectivos países. En relación con esta materia se acordó modificar el artículo 3° del Estatuto del Parlamento Latinoamericano para establecer que en caso de disolución de un Parlamento Nacional, los representantes acreditados por dicho Parlamento ante la Asamblea del Parlamento Latinoamericano conservarán su calidad de tales, debiendo preverse los fondos necesarios para facilitar su concurrencia a las sesiones de este organismo;
- 3.- Acuerdo contrario a la Enmienda Hickenlooper, la Ley Azucarera y demás instrumentos legales similares, por considerarlos actos de agresión económica a las naciones latinoamericanas;
- 4.- Acuerdo que aconseja que los distintos problemas de límites entre las Repúblicas latinoamericanas se resuelvan en la Corte Internacional de La Haya;
- 5.- Acuerdo propiciando el cumplimiento, por parte de Gran Bretaña, de la resolución de las Naciones Unidas que auspicia negociar la descolonización de Gibraltar;
- 6.- Acuerdo sobre recomendación para que en los planos nacionales se adopten estatutos jurídicos que garanticen la existencia y participación de los grupos minoritarios y de oposición en la actividad político-social;

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4. Turning to a different aspect of integration, it was reported here this week that the Head of CORDIPLAN had recently signed an agreement with the Institute of Latin American Integration (INTAL) to provide technical and financial assistance for a study on Venezuela and Latin American integration. The agreement was apparently signed in Buenos Aires where INTAL has its headquarters. We should be interested in having any information which Buenos Aires may be able to supply on this organisation and, of course, on this particular agreement.

*Yours ever,  
Philip Morris*

(P. Morrice)

- 2 -

c.c. Chanceries at: Washington  
Bogota  
Quito  
Lima  
La Paz  
Santiago  
Montevideo  
Buenos Aires.

*The Colombian Foreign Minister thinks that economic pressure will compel Venezuela shortly to make a bid for entry.*

*N.W. Brown  
'9/5*

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*With the compliments of*  
(J.B. Ure)  
THE FIRST SECRETARY  
(COMMERCIAL)

John Robson, Esq.,  
American Department,  
Foreign & Commonwealth Office,  
LONDON S.W.1.

BRITISH EMBASSY  
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REGISTERED  
29 APR 1970  
20 April 1970  
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BRITISH EMBASSY

SANTIAGO

20 April 1970

Ure/w

Sutei

Mr. Hawkins

30/iv

JH 28/w

p.c.

Andean Group

John Noss recently compiled, for internal use in the Embassy, the enclosed timetable of events concerned with the Andean trading area.

2. This is of course based on the official documents and the relevant despatch from Lima, but although it is in no way "an original contribution to knowledge" I thought it might be as useful for you as it is for us.

3. I am copying this letter with enclosure to Robson in the F.C.O.

(J.B. Ure)

M.C. Camell, Esq.,  
C.R.E. 4,  
Board of Trade,  
LONDON S.W.1.

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GRUPO ANDIDOPrincipal events in timetable1) 15 April 1970:

Products in first part of the LAPTA Common List to be liberalised by Colombia, Chile and Perú. (List of first 180 products attached).

2) 31 December 1970:

By this date the Commission will:

(a) approve and submit for consideration a common policy on treatment of foreign capital (i.e. licenses, royalties, etc.)

(b) ensure that the basis for all duties shall be the lowest existing duty in Colombia, Chile and Perú, and not exceeding 100% ad valorem c.i.f.

(c) remove "restrictions" (i.e. unilateral administrative, financial or exchange measures) except for restrictions applied to products allocated for sectoral industrial development programmes.

N.B. Bolivia and Ecuador shall eliminate such restrictions at the time when they implement liberalisation of each product.

(d) prepare list of items not produced in member countries and not reserved for sectoral industrial development programmes.

(e) approve lists of products to be liberalised in favour of Bolivia and Ecuador.

3) 1 January 1971:

Liberalisation of items as at 2(e) above.

4) 8 February 1971:

Liberalisation of items as at 2(d) above.

5) 31 March 1971:

Final date for fixing preferential margins for products of special interest to Bolivia and Ecuador.

6) 1 April 1971:

Entry into force of margins as at (5) above.

7) 31 December 1971:

(1) by this date the Commission will:-

/(a)...

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- (a) agree a policy of multinational enterprises.
  - (b) approve directives for coordinating legislation on industrial development.
  - (c) establish a programme of liberalisation for the remaining products from the LAFTA Common List.
- (ii) first 10% general tariff reduction by Colombia, Chile and Peru.
- (iii) first 40% reduction of duties in favour of Bolivia and Ecuador for products not:
- (a) covered by sectoral industrial development programme;
  - (b) in ALALC Common List, or
  - (c) produced in Andean Group countries. (Level established as at 2(b) above to be the starting point.
- 8) 31 December 1972:
- (a) the programme for coordinating the foreign trade policy of member countries to be put in force.
  - (b) second 10% general tariff reduction.
  - (c) 30% reduction in favour of Bolivia and Ecuador (see 7(iii) above).
- 9) 31 December 1973:
- (a) Commission to approve by this date sectoral industrial development programmes with possibility, if necessary, of two year extension.
  - (b) Third 10% general tariff reduction.
  - (c) Final 30% reduction in favour of Bolivia and Ecuador.
  - (d) Preparation of draft common external tariff.
- 10) 1 January 1974:
- Liberalisation of products not produced in member countries and those which, although selected for sectoral industrial development programme, have not been included in the latter.
- 11) 31 December 1974:
- Fourth general 10% tariff reduction further reducing annually to nil by 31 December 1980.
- 12) 31 December 1976:
- Start of process of approximation to common external tariff.
- 13) 31 December 1980:
- Chile, Colombia, and Peru complete liberalisation programme and finally adopt common external tariff.
- 14) 31 December 1985:
- Bolivia and Ecuador complete general liberalisation programme and adopt common external tariff.

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Reference.....

7

Mr. Robson

Appointment of Observer to Andean Group  
Secretariat

Page A ①

H.M. Ambassador in Lima has written to Mr. Wiggin suggesting that a member of the Embassy in Lima should be accredited to the Headquarters of the Andean Group as an observer.

RECEIVED IN  
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16 MAR 1970  
AL4/10

2. Mr. Wiggin has noted that he thinks this is a good idea, and I attach a draft letter to Mr. Magor asking for the Board of Trade's views. I think that we should also copy the letter, inside the office, to EPD, TPD, and PPD.

N.W. Browne

(N.W. Browne)  
5 March, 1970.

Reused draft.

EPD Ad

JK 3/5

SM.20.3

Mr. Robson

*[Handwritten signature]*

p.a.

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RESTRICTED  
American Department,

24 February, 1970.

3

fa. W  
7/3

Thank you for your letter about the meeting of the Andean Group Education Ministers. I had assumed that the group were more concerned with economic integration, and it was interesting to read of attempts to establish cultural ties as well.

I hope that you are finding Bogota to your liking.

(N.W. Browne)

S.T. Nash, Esq.,  
BOGOTA.

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②  
Mr. Keefe  
Mr. E. Young  
Mr. Baldwin I.P.D. C.S.O.  
Mr. Macintosh  
BRITISH EMBASSY, T.A.D.  
M. U. S. R.  
BOGOTA. 16/3

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24 FEB 1970  
ALG/10

6/9

*See Nick.*

13 February, 1970

Copy to: Miss E.M. Young  
ODM.

Meeting of Andean Education Ministers

The three-day conference in Bogotá of the Education Ministers of the five Andean Pact countries and Venezuela resulted in the signing of the "Andrés Bello" Agreement on 31 January. The chief aim of the conference was to co-ordinate the educational, scientific and cultural policies of the six countries, and much was made of the supreme importance of this objective.

2. The Ministers did however make some concrete proposals towards integration. It was suggested that the six countries should adopt a common policy vis-à-vis the international organisations which give technical assistance in the educational, scientific and cultural fields. Visas for those travelling on cultural missions between the countries should be abolished. In order that students should be able to continue their studies in any one of the countries in the area, the setting up of an equivalency board for exams at the primary, secondary and higher education levels was proposed.

3. The meeting discussed plans to produce certain text books and visual aid material internationally within the area, and to increase traffic of students, lecturers, and educational and cultural material between the member countries. Scholarships will also be set up on an international basis.

4. The Ministers asked that the governments concerned should set up a mechanism to control "distorting" television programmes, and to ensure that the moral health of young people was not jeopardised by the information media.

5. We gather that the results of the meeting fell short of the expectations of the majority of the Ministers. The enthusiasts led by Dr. Octavio Arizmendi of Colombia hoped to produce some really radical moves towards the unification of their respective educational systems. Arizmendi was supported in this by Dr. Hector Hernandez Carabaño (Venezuela), Dr. José Pons Vizcaino (Ecuador) and Dr. Mariano Baptista Camucio (Bolivia). General Alfredo Arrisueño (Peru) sat on the fence but Dr. Máximo Pacheco Gómez, the Chilean, was unwilling to commit his Government to anything far reaching.

✓ 6. In the context of the Andean Pact, it is interesting that the Venezuelans should have participated fully in the conference, and indeed were especially singled out by the attaching of the name of Andrés Bello to the final agreement. The next meeting of Andean Education Ministers has been scheduled for early 1971 in Lima.

7. I am sending copies of this letter to the Chanceries at Caracas, Lima, Quito, Santiago, La Paz, Washington and to Information Research Department, F.C.O.

*Yours etc.*  
*S. T. Nash*  
(S. T. Nash)

N. B. Browne, Esq.,  
American Department,  
F.C.O.

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16 FEB 1970  
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① 1. Mr. Roberts  
2. Enta  
3. Mr. Ellis  
4. Mr. Brown  
BRITISH EMBASSY, LIMA. How 13/in

9 February, 1970. p.c.

*This seems all right in principle, though visible costs may be a long time coming. However, it will require quite a bit of processing. I imagine BOT's views will be fundamental. EPD should also be consulted.*

My dear Charles,

Towards the end of last year, Fred Mason was good enough to write to tell me about a suggestion from Gabriel Valdes that various commercial opportunities within the Andean Group could most quickly be spotted by attaching an observer to the Secretariat of the Group, which has its headquarters in Lima.

2. I agree with this idea, and think it should be followed up, if possible, by accrediting a member of this Embassy (perhaps the Second Secretary in Chancery) as an observer either to the Secretariat or to the Board (which is the technical organ of the Group, responsible for supervision of the Secretariat's activities).

3. The three members of the Board have been elected, but it is not yet working full-time. The Secretariat has a Secretary-General, a Peruvian who is well-known and well-disposed to us, but little else; he has no proper office accommodation, and has only recently begun to advertise for staff. We have a good opportunity to get in early and establish relations with the Andean Group's professional staff.

4. The Spanish Embassy, and I think the Italian, have approached the Peruvian Ministry of Foreign Affairs with requests for agreement to appoint observers. The Ministry have shown interest in the proposal, even though the Andean Group's Charter makes no provision for observers; but a final decision rests with the Group as a whole. I do not expect that any West European country, including ourselves, would have much difficulty in being able to appoint an observer.

5. I am sending a copy of this letter to Mason at Santiago, to MacMahon in the Board of Trade, and to Jackson in Montevideo in case experience with L.A.F.T.A. offers any precedent.

Yours ever,

David Muirhead.

(D.F. Muirhead)

C.D. Wiggin, Esq., C.M.G., D.F.C., A.F.C.,  
American Department,  
F.C.O.

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